NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)
stock code: 00070

2016 Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive directors:
Mr. Danny Xuda Huang
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
Mr. Lin Chuen Chow, Andy

Independent non-executive directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis

COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton *(Chairman)*
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis

REMUNERATION COMMITTEE

Mr. Cheung Yat Hung, Alton *(Chairman)*
Mr. Yue Fu Wing
Mr. Nicholas J. Niglio

NOMINATION COMMITTEE

Mr. Danny Xuda Huang *(Chairman)*
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing

AUDITOR

Crowe Horwath (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company Limited
Bank of China Macau Branch
Industrial And Commercial Bank of China Limited
Macau Branch

LEGAL ADVISORS

Robertsons Solicitors & Notaries
LAU, CHAN & KO Solicitors & Notaries

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Room 3328C, 33/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY WEBSITE

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STOCK CODE

00070

Group Financial Summary

RESULTS (HK$'000)

	Year ended 30 June 2012	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	**Year ended 30 June 2016**
Revenue (including continuing and discontinued operations)	435,377	577,517	710,396	473,558	**278,651**
Profit/(loss) attributable to owners of the Company	282,930	288,300	148,762	(828,012)	**(202,108)**
Earnings/(loss) per share (HK$)					
– basic (restated)	0.74	0.70	0.32	(1.79)	**(0.43)**
– diluted (restated)	0.74	0.70	0.32	(1.79)	**(0.43)**

ASSETS AND LIABILITIES (HK$'000)

	As at 30 June 2012	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	**As at 30 June 2016**
Property, plant and equipment	62	54,686	965	643	**403**
Investment properties	–	–	59,140	59,200	**60,000**
Interest in an associate	46,344	46,344	58,084	56,205	**73,100**
Intangible assets	1,444,493	2,102,793	2,102,793	1,227,571	**571,285**
Available-for-sale investments	–	–	249,524	39,672	**–**
Other non-current assets	40,438	–	–	–	**–**
Net current assets	408,091	602,863	496,805	435,740	**746,864**
Total assets less current liabilities	1,939,428	2,806,686	2,967,311	1,819,031	**1,451,652**
Net assets	1,939,428	2,806,686	2,967,311	1,819,031	**1,451,652**
Share capital and other statutory capital reserve	948,487	1,077,853	1,077,853	1,077,853	**1,171,921**
Reserves	472,082	760,382	915,066	87,054	**(109,802)**
Equity attributable to owners of the Company	1,420,569	1,838,235	1,992,919	1,164,907	**1,062,119**
Non-controlling interests	518,859	968,451	974,392	654,124	**389,533**
Total equity	1,939,428	2,806,686	2,967,311	1,819,031	**1,451,652**
Shareholder's funds – NBV per share (HK$)	0.37	0.40	0.43	0.25	**1.53**

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 2016.

THE CONTINUING BUSINESS REVIEW

2016 has not been a good year for the gaming industry and so did its impact flow onto our investment partners. We were not immuned and the end result has unfortunately reflected the profit warning we issued earlier. Although some analysts posted an optimistic view going forward, after taking reference to a few positive indicators brought forth, for example, a slight growth in the Macau casino gross gaming revenue (GRR) in the final quarter of 2016. Certainly, after the past few years of contraction, first sight of a positive growth does attract eagerness and hope to many in the gaming industry. Many believe now the glooming days are over and have taken an optimistic approach to set a new working plan forward.

We, however, opt to manage this opportunity cautiously as we always did from a conservative approach. While taking advantage of what this optimism has to offer, we continued facing with difficulties that cannot be immediately addressed to satisfy all our stakeholders. There is no fast track back to past glory. We are grateful for the continuous support from our partners that we hope the slow recovery will finally arrive and gains traction over time.

Given our new money lending business is still in its infancy stage, we do not expect positive contribution from this segment in the short term. Although recovery may seem remote given the gaming and entertainment business remains challenging with great uncertainties and fierce competition in the next few years, we have been working relentlessly to keep the operation healthy and maintaining control over matters that we can.

LOOKING FORWARD STATEMENT

"Caution" is a word now commonly used by many operators when formulating their business forecast, and we share the same strategy taking consideration of the ever-changing nature and complexities of the gaming and entertainment business. Major factors including government policy, local regulations, consumer spending, consumer confidence index and generic tourism numbers, we are mindful over injection of new investment in this industry, at least not until more solid signs of growth have surfaced. We are seeing only a glimpse of hope at this point and we shall continue to observe and ensure our existing investment does not get worsen.

The performance of our core business had not been satisfactory in the past and we expect the same will persist unless clear improvement in the aforesaid factors have come back again to Macau. Our commitment to the Macau gaming and the VIP sector will continue while exploring alternate income streams in the hope to reduce our reliance on gaming.

Despite the aforesaid difficulties, we did see a burst of energy in Cotai with the opening of two mega resorts in 2016. Additionally, we are aware that the two mega resorts have plans to develop themselves into integrated resorts in 2017 and early 2018 respectively. The money lending business will attract more customers and business deals as it opens its door to the wider audience. We expect to be in a better position going forward.

Chairman's Statement

We have never lost sight of the commitment we made to our shareholders, which is to reciprocate their trust by maximizing shareholder value. The past two years reminded us that quick response to certain economic downturns can ease the hardships during the transition process and persevering cautiously enhances our ability to deliver the commitment we made to our shareholders.

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.

Danny Xuda Huang
Chairman of the Board
Hong Kong, 19 December 2016

Management Discussion and Analysis

FINANCIAL REVIEW

The Board announced that the audited net loss of the Group for the year ended 30 June 2016 amounted to approximately HK$466.7 million (2015: loss of HK$998.6 million).

For the financial year ended 30 June 2016, the Group's gaming revenue fell by 41.2% to approximately HK$278.7 million. Our revenue was cohesive to the performance of our beleaguered counter parties who confronted head to head competition for Chinese players like all others. Last year, many policies have been implemented that have discernible impact on gaming demand or spending, such as the pressing ahead of the anticorruption drive, slowdown in China economy which has already been buffeted by the global slowdown, government's policy to curb Chinese bank card withdrawal limits per transaction and on daily limits, limitation of visa entry, etc. Slapped by all these government monitoring measures on inordinate capital outflow from China, Macau gaming promoters and concessionaries had experienced overall downfall in revenue for 26 consecutive months commencing from mid of 2014 up to July 2016. It is only until recent months that the overall gross gaming revenue has resumed positive year-on-year annual growth from the low figures recorded in 2015.

The net loss attributable to owners of the Company for the year and loss per share and HK$0.43 are approximately HK$202.1 million, or compared with last year's net loss attribute to owner of the Company of approximately HK$828.0 million or loss per share of HK$1.79 (restated).

The following is the summarised information relating to our VIP junkets rooms activities.

	For the year ended 30 June		
	2016	2015	Change
	(HK$ in millions)		
I) The Venetian Macau			
Venetian Neptune GD VIP Club	**115.1**	143.1	-19.6%
II) Sands Macau			
Sands Neptune GD VIP Club	**72.5**	108.2	-33.0%
III) Grand Lisboa			
Neptune GD 31 Sky Club	**91.1**	203.4	-55.2%

Our EBITDA (see note 1) was negative for the year ended 30 June 2016 at approximately HK$260.5 million, showing a reduction of loss of approximately HK$737.3 million, or 73.9% compared to last year's EBITDA of a loss of approximately HK$997.8 million.

Management Discussion and Analysis

The reduced loss as mentioned above as compared to last year was the combined result of mainly the following reasons:

(i) There is a stark decline of almost HK$200 million in revenue due to the sluggish gaming activities in VIP segment. On positive side, during the year, the Group has recognised interest income derived from three loan agreements with three non-controlling interests for their business use. This produced a short term loan interest income of HK$6.4 million in addition to the source of other income. However, there was no more other revenue contributed by the compensation from the shortfall in guarantee profit from Essence Gold this year (2015: HK$2.8 million).

(ii) The impairment loss of available-for-sale investments this year represented the impairment on the residual value of HK$39.7 million, compared to the impairment loss of HK$209.9 million last year.

(iii) This year, the impairment of trade receivable was HK$159 million but offset by some reversal adjustments on fair value basis that reduced the current year impairment by HK$96 million. The fair value adjustment in 2015 was HK$344.3 million.

(iv) Also, the negative effect arising from fair value changes on derivative financial instruments, the call options available to the group eligible for further acquisition of 70% interest in Base Move, 80% interest in Essence Gold was largely reduced by 33 million this year with the loss on fair value changes on financial derivative investments recorded as HK$67,000 this year, compared to a loss of HK$33.1 million last year. In addition, there was no more impairment on other receivables which amounted to HK$5.9 million last year.

(v) This year, the EBITDA was subject to the impact of change in accounting estimate after impairment test on intangible assets when our management have decided it is appropriate to adopt change in the useful life of Group's intangible assets from indefinite to definite term. Overseeing the prolonged difficult business environment in particular to VIP room gaming operation, the swift to mass market looking for tourists and recreational players as well as the uncertainty of the outcome of the renewal of relevant gaming concession contracts by the Macau government were the main reasons for the change of accounting estimate.

    After assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, this has resulted in the amortisation of intangible assets of approximately HK$205.4 million (2015: Nil), on the other hand, the impairment loss on intangible assets has decreased by HK$424.3 million to HK$450.9 million as compare to HK$875.2 million in 2015.

(vi) Our spending on general and administrative for this year was approximately HK$6.1 million close to flat as compared with last year, except that we captured a notional share based transaction related to the share options granted to executive director in mid of this year. The fair value of these options was about HK$5.2 million.

Note 1: EBITDA refers to earnings before interest expenses and other finance costs, tax, depreciation and amortisation.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 30 June 2016 (2015: Nil).

Management Discussion and Analysis

CAPITAL STRUCTURE

Effective on 23 May 2016, ten ordinary shares of the Company were consolidated to one ordinary share. During the year, an open offer of 230,812,225 offer shares at subscription price of HK$0.42 per each on the basis of one offer share for every two shares was carried out. The open offer became unconditional on 20 June 2016. As at 30 June 2016, the total issued share capital of the Company was HK$692,436,675 ordinary shares.

Funding and Treasury Policies

The Company adopt a prudent funding and treasury policy.

The Group's borrowings are denominated in Hong Kong dollars.

The Group's borrowings are on a floating rate basis. The Group's cash and bank balances are denominated in Hong Kong dollars.

During the year ended 30 June 2016, the Group did not have any formal hedging policies and no financial instrument was used for hedging purpose.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2016, the Group had outstanding bank borrowing of approximately HK$16.4 million, a decrease of approximately HK$2.4 million, compared to the outstanding bank borrowing of approximately HK$18.8 million as at 30 June 2015. Particulars of the maturity profile of the bank borrowing are set out in note 25 to the financial statements. During the year ended 30 June 2016, the Company was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in Hong Kong dollars. The total cash and bank balance was approximately HK$148.6 million as compared to approximately HK$58.2 million as at 30 June 2015.

The Group had net current assets of approximately HK$746.9 million as at 30 June 2016 (2015: HK$435.7 million).

The total equity attributable to owners of the Company as at 30 June 2016 amounted to approximately HK$1,062.1 million (2015: HK$1,164.9 million). The gearing ratio, calculated on the basis of total debt (which represents the outstanding bank borrowing of the Group) over total equity attributable to owners of the Company as at 30 June 2016, was approximately 1.55% (2015: 1.62%).

As at 30 June 2016, the total liabilities amounted to approximately HK$27.0 million (2015: HK$28.8 million), comprising of bank borrowing of approximately HK$16.4 million and other payables of approximately HK$10.6 million.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2016, an investment property of the Group with fair value of approximately HK$60 million (2015: HK$59.2 million) was pledged to secure the Group's bank facilities of approximately HK$16.4 million (2015: 18.8 million).

Management Discussion and Analysis

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the 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 year ended 30 June 2016, there has been no significant progress.

BUSINESS OVERVIEW

After several years of downturn, the gaming market conditions in Macau are generally noted to be improving with its gross gaming revenue not retreating in recent months. We may have reached the bottom of the downward spiral. Despite having been benefited from the booming VIP market for so many years in the past, however, there is no guarantee of a successful rebound or return to our profitability soon. Our table count has suffered as a result of government adjustments to overall allocation to the industry. Operators have been forced to reduce VIP table numbers and we are no exception. Set out below is a capsule summary of present table inventory in our portfolio. Our allocation of the VIP tables is currently as follows: 14 tables in The Venetian, 10 tables in in Sands Macao, 13 tables in Galaxy, 8 tables in Grand Lisboa and 10 tables in City of Dreams. This totals to 55 tables, representing a reduction of 7 tables throughout the year.

Delving into the current VIP trends in Macau, the norm has been unfortunate as presented above. Complete closure of VIP rooms happened more frequently. No group is seen immuned to this downturn, including us, and some other rivals of ours are even closing down. Two years ago, ten VIP operators controlled 85% of the market, now just three. New government regulations directed at start up VIP ventures are being interpreted as compliance based. These new regulations and capital needs make new VIP entries problematic that is synonymous as a niche for the existing operators. For now, we see the VIP contribution to yearly gross gaming revenue falling under 50% from a high of almost 80% as recorded in prior years.

Moving forward, as previously mentioned, new strategic planning for the overall Group's operation is taking place. The Company has applied and received permission by Hong Kong regulators to activate a money lending operation. The Group has begun to administer loans. New and experienced staff has been guiding the Company through the startup phase. Initial indicators are positive as the market need for this market niche has been verified. We expect to continue and expand this business as a supplement to lost VIP volumes.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Danny Xuda Huang, aged 38, has been appointed as an executive director of the Company on 1 August 2013 and re-designated as the chairman of the Board of the Company on 29 November 2013. Mr. Huang has been the chief investment officer for a number of family trusts in Hong Kong and Greater China, managing assets over US$1 billion. Prior to that, he ran a consulting firm advising high net worth clients on investments strategies and estate planning. Mr. Huang has over 10 years of professional experience in assurance and advisory, tax and financial planning, internal audit and risk management, project finance and credit control. He has worked for well-known organizations including BNP Paribas, National Australia Bank, MLC Investments, Toyota Finance, PricewaterhouseCoopers and KPMG. Mr. Huang holds a Bachelor degree in Accounting and Finance from Monash University. He is currently a Chartered Accountant in Australia and a Justice of the Peace (JP) for New South Wales.

Mr. Nicholas J. Niglio, aged 70, was appointed as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Throughout all these years, he versed himself in management of all kinds of gaming activities and have proven success of his accomplishments.

Prior to his current position, Mr. Niglio previously was Executive Vice President of Trump Taj Mahal Casino Resort, Inc. Atlantic City NJ, ("Trump") serving as senior executive in Casino marketing and international operation, from October 1993 to August 2001, he originally joined Trump in October 1993 as Executive Vice President to oversee all operational and administrative management of marketing program. Regional offices including Asia, Middle East, Europe and Latin America were 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 60, since 20 April 2005 and 27 August 2012, Mr. Chan is currently an executive director and company secretary of the Company respectively. On 1 March 2015, he has been appointed as a non-executive Director of Universe International Financial Holding Limited (formerly known as Universe International Holdings Limited), the shares of which are listed in Main Board of Stock Exchange (Code 1046). With effect from 6 August 2015, Mr. Chan has been also appointed as an Independent non-executive director of China Jicheng Holdings Limited, a company whose shares are listed in Main Board of the Stock Exchange (Code 1027).

Mr. Chan holds a Master degree in Professional Accounting from Hong Kong Polytechnic University and a Bachelor of Commerce from Curtin University Australia. He is currently a fellow member of Hong Kong Institute of Certified Public Accountants and fellow member of Certified Public Accountants (Australia); fellow member of the Institute of Chartered Secretaries and Administrators, fellow member of the Hong Kong Institute of Company Secretaries, member of Hong Kong Securities and Investment institute "HKSI" and affiliated member of American Society of Appraisers. He has completed a certificate course in PRC accounting and PRC tax law from Chinese University of Hong Kong. Currently, he is also a member of The Association of Hong Kong Professionals and Hong Kong and Kowloon Chiu Chow Public Association.

Biographical Details of Directors and Senior Management

Mr. Chan has over 25 years of experience in property development, manufacturing, travel and gaming related industries. He has worked for various multi-national organizations and Hong Kong listed companies including American President lines, Paccess International, Tileman UK, Dairy Farm Cold Storage, Hopewell Construction, Shui On Construction, Wing On Travel and Deloitte and equipped with profound experience in merger and acquisition transactions, treasury, strategies and risk management, corporate finance, accounting, tax planning and company secretary practice.

Mr. Lin Chuen Chow Andy ("Mr. Lin"), aged 41, was appointed as an executive Director on 30 November 2012. Mr. Lin obtained his Bachelor of Arts (Hons) Business Management Degree from the University of Wales in 2015. He is currently an affiliate member of Hong Kong Securities and Investment Institute ("HKSI") and has obtained the HKSI Specialist Certificates in Securities and Asset Management. He has also passed the Estate Agent Qualifying Examination of the Estate Agents Authority and has obtained an Estate Agent's (Individual) License. He is currently the General Manager of the Company and is a veteran in gaming industry who has managed gaming business in Macau, particularly in customer relationship management. Prior to joining the Company, he had worked in the Administration Department of the Hong Kong Exchanges and Clearing Limited for a period more than thirteen years. On 4 December 2013, He has been appointed as an independent non-executive director of China Demeter Investments Limited (formerly known as Oriental Unicom Agriculture Group Limited) ("China Demeter"), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8120), and re-designated as a non-executive director of China Demeter on 20 February 2014. On 5 February 2016, Mr. Lin resigned as a non-executive director of China Demeter.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Yat Hung, Alton, aged 53, 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 are engaged in automobile distribution in the PRC, 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 48, 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. Chow Chung Lam, Louis, aged 62, was appointed as an independent non-executive director and a member of the audit committee of the Company on 27 March 2015. Mr. Chow is currently engaged in a property under development in Hainan province, the PRC which will provide premium residential towers and hotel components offering an array of the best-in-class ancillary commercial facilities and accommodation. Mr. Chow has devoted his career in the hospitality industry in Mainland China, Saudi Arabia and Hong Kong on both multi-unit corporate and single unit hotel general management level. He has worked for various top notch branded hotels including China Hotel, City Garden Hotel, Kowloon Shangri-La Hotel, New World Hotel, Regent Hotel, YMCA of Hong Kong, Piazza Dinner Theatre and Hong Kong Football Club with profound experience in food and beverage and hotel management.

SENIOR MANAGEMENT

Various business 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 and Other Information

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Director(s)”) are committed to the maintenance of good corporate governance for the creation of Shareholder value. An effective system of corporate governance requires that our Boards approves strategic direction, monitors performance to exercise our stewardship responsibilities with due skill and care.

Save as disclosed below, the board of Directors (the “Board”) has adopted the code provision as set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the year ended 30 June 2016.

Continuous efforts are made to review and enhance the Group’s internal controls and procedures in light of changes in regulations and development in best practice.on Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has developed its own securities trading code for securities transactions (the “Company Code”) by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 if the Listing Rules (the “Model Code”), Following specific enquiry by the Company, all Directors have confirmed that they have complied with the Company Code and, therefore, with the Model code throughout the year ended 30 June 2016 and to the date of this report.

Corporate Governance and Other Information

BOARD AND BOARD COMMITTEES COMPOSITION

The following changes were made to the composition of the Board and the Board Committee during the year ended 30th June, 2016.

The Directors as at the date of this annual report are:

	Title	Date of appointment
Executive Directors		
Danny Xuda Huang	Chairman of the Board	Appointed on 1 August 2013
Nicholas J. Niglio	Chief Operation Officer	Appointed on 3 September 2007
Chan Shiu Kwong Stephen	Chief Financial officer	Appointed on 20 April 2005
Lin Chuen Chow Andy	Executive Director	Appointed on 30 Nov 2012
Independent Non- Executive Directors		
Cheung Yat Hung Alton		Appointed on 5 June 2007
Yue Fu Wing		Appointed on 15 January 2005
Chow Chung Lam Louis		Appointed on 27 March 2015

The Board has established three committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee. The Table below details the membership and composition of each of the three committee as at the date of this annual report.

Director	Audit Committee	Remuneration Committee	Nomination Committee
Danny Xuda Huang	–	–	Chairman
Nicholas J. Niglio	–	Member	–
Chan Shiu Kwong Stephen	–	–	–
Lin Chuen Chow Andy	–	–	–
Cheung Yat Hung Alton	Chairman	Chairman	Member
Yue Fu Wing	Member	Member	Member
Chow Chung Lam Louis	Member	–	–

BOARD AND BOARD COMMITTEES COMPOSITION (Continued)

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 four executive Directors and three independent non-executive Directors. The Directors have no financial, business, family or other material/relevant relationships with one another. The biographical details of the directors are set out on page 10 and 11 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.

<a> Roles of Chairman and Chief Executive

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the "Chairman") and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the Chairman and the chief executive should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the chief executive in order to ensure a balance of power and authority. The positions of the Chairman and the chief executive are segregated and are held by Mr. Danny Xuda Huang 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, effective planning of board meetings, ensuring the Board is acting to the best interests of the Company.

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

<b> 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.

BOARD AND BOARD COMMITTEES COMPOSITION (Continued)

<c> 13 board meetings, 1 annual general meeting and 1 general meeting were held during the financial year ended 30 June 2016. Independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. One executive Director was unable to attend the interim result board meeting of the Company held on 29 February 2016 due to other business engagement. Details of directors' attendance records are set out below:

	Board Meetings	Attendance of Annual General Meeting	General Meeting
Executive directors			
Mr. Danny Xuda Huang	11/13	1/1	0/1
Mr. Nicholas J. Niglio	13/13	1/1	1/1
Mr. Chan Shiu Kwong, Stephen	13/13	1/1	1/1
Mr. Lin Chuen Chow, Andy	13/13	1/1	1/1
Independent non-executive directors			
Cheung Yat Hung, Alton	8/13	1/1	1/1
Mr. Yue Fu Wing	8/13	1/1	1/1
Mr. Chow Chung Lam. Louis	7/13	1/1	1/1

BOARD COMMITTEES

Three committees, namely, audit committee, remuneration committee and nomination committee were established under the Board to oversee their functions.

<a> Audit Committee

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Chow Chung Lam Louis. 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.

The Group's annual results for the year ended 30 June 2016 has been reviewed by Audit Committee and audited by the auditor of the Company, Crowe Horwath CPA Limited. The audit committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statement for the year ended 30 June 2015 and was of the opinion that the preparation of such final results compiled with the applicable accounting standards and requirements that adequate disclosure have been made. The Audit Committee meets, at least twice a year, with external auditor to discuss any area of concern during the audit of review. The Audit Committee is mainly responsible for the appointment, reappointment and removal of external auditor, review of the interim and final results of the Group.

BOARD COMMITTEES (Continued)

<a> Audit Committee (Continued)

3 audit committee meetings were held during the financial year ended 30 June 2016. Attendance of the members is set out below:

	Attendance of Audit Committee meetings
Members	
Mr. Yue Fu Wing ***(Chairman)***	3/3
Mr. Cheung Yat Hung, Alton	3/3
Mr. Chow Chung Lam,Louis	2/3

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

– review of the Group's audited financial statements for the year ended 30 June 2015 and unaudited financial statements for the six months ended 31 December 2015;

– 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.

BOARD COMMITTEES (Continued)

<b> Remuneration Committee

The remuneration committee comprises two independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing, and one executive director, Mr. Nicholas J. Niglio. 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. 2 remuneration committee meetings were held during the financial year ended 30 June 2016. Attendance of the members is set out below:

	Attendance of Remuneration Committee meetings
Members	
Mr. Cheung Yat Hung, Alton ***(Chairman)***	2/2
Mr. Yue Fu Wing	2/2
Mr. Nicholas J. Niglio	2/2

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

– remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, levels of responsibilities, employment conditions elsewhere in the Group;

– considering and confirming the policy for the remuneration of directors and senior management; and

– reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

<c> Nomination Committee

The nomination committee comprises two independent non-executive directors and one executive director. The nomination committee was established with specific written terms of reference and is principally responsible for reviewing the structure, size and composition of the Board to complement the Company's corporate strategy and to identify individuals suitably qualified to become Board members. 1 nomination committee meeting was held during the financial year ended 30 June 2016.

	Attendance of Nomination Committee meeting
Members	
Mr. Danny Xuda Huang ***(Chairman)***	1/1
Mr. Cheung Yat Hung, Alton	1/1
Mr. Yue Fu Wing	1/1

BOARD COMMITTEES (Continued)

<c> Nomination Committee (Continued)

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

– reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and

– to assess the independence of independent non-executive directors of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

No corporate governance committee has been established and the corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with disclosure requirement of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and applicable Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is set out on page 29 to 30 of this annual report.

The Directors, having made appropriate enquiries, confirm that 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.

Corporate Governance and Other Information

AUDITORS' REMUNERATION

During the year ended 30 June 2016, the remuneration paid and payable to the auditors of the Company, Crowe Horwath (CPA) Limited for provision of statutory audit and other non-audit services were approximately HK$670,000 and HK$82,000 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.

These on-going processes have been in place for the year under review, and are reviewed periodically by the audit committee. Furthermore, the Board takes extreme precautionary measures in handling price-sensitive information. Such information is restricted to a need-to-know basis.

The Group does not have an internal audit function. The Board has reviewed the effectiveness of the internal control system of the Company and 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.

RISK MANAGEMENT

The Board acknowledges that it is responsibility to ensure that the Company establish and maintains appropriate and effective risk management. The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The Group's business, financial conditions and results may be effected by risk and uncertainties pertaining to the Group's business. Certain significant risks have been identified through the process of risk identification and assessment.

Credit Risk refers to the risk that the borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date.

The Group's Credit Committee, is responsible for putting in place credit policies and procedures for approving lending.

TRAINING FOR DIRECTORS

All Directors must keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. As such, briefings are provided and organised to ensure that newly appointed Directors are familiar with the role of the Board, their legal and other duties and responsibilities as Director as well as the business and corporate governance practices of the Group. The company secretary of the Company will continuously update all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

Pursuant to Code A.6.5 of the "Corporate Governance Code", directors of listed company should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. For the period from 1 July 2015 to 30 June 2016, all Directors have participated in appropriate continuous professional development activities by ways of attending training or reading material relevant to the Company's business or to the Directors' duties and responsibilities.

SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a general meeting of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form, each signed by one or more requisitionists.

If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

Corporate Governance and Other Information

SHAREHOLDERS' RIGHTS (Continued)

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address and telephone number by which shareholders of the Company may at any time address their concerns or enquiries to the Board.

(III) Make Proposals at General Meetings

The procedures for proposing resolution(s) to be moved at a shareholders' meeting are as follows:

The Shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate, may request the Company to give, to members of the Company entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting pursuant to Section 615 of the Companies Ordinance of Hong Kong. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given; must be authenticated by the person or persons making it; and must be received by the Company not later than 6 weeks before the annual general meeting to which the request relate; or if later, the time at which notice is given of that meeting.

(IV) Proposing a person for election as director

According to the Article of the Association, no person other than a retiring Director shall, unless recommend by the Directors for election, be eligible for election to the office of Director at any general meeting, unless a notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as a director and also a notice in writing by that person of his willingness to be elected (including the person's biographical details as required by Rules 13.5(2) of the Listing Rules) shall be lodged with the Company Secretary at the Company's principal place of business in Hong Kong or the Share Registrar's place of business in Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If such notice(s) are received less than ten business day prior to the date of such general meeting, the company will need to consider the adjournment of such general meeting in order to allow the Shareholders fourteen clear days' notice (the notice period must include ten Business Days (the notice period must include ten Business Days (Note) of the proposal.

Note: Business Day means any day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities.

Corporate Governance and Other Information

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.

Pursuant to code provision E1.2 of the code, the company will invite representatives of the Auditors to attend the forthcoming annual general meeting to answer the Shareholders' questions about the content of the auditors' report, the accounting policies and auditor independence.

INVESTOR RELATIONS

The Company meets regularly with the press, analysts and institutional investors to facilitate their analysis on the Company in conferences and group meetings.

During the year ended 30 June 2016, there has been change in the Company's constitutional documents as following:

"Every certificate shall be issued under the Seal of the Company and shall be autographically signed by two directors or some other person nominated by the Board for the purpose, and every such signature shall be autographic unless there shall be for the time being in force a resolution of the Board adopting some method or system of mechanical signatures which is controlled by or the use of which is by such resolution restricted to certificates which have been approved for sealing by) the Auditors, Registrars, Transfer Auditors or Bankers of the Company in which event any such signature may be effected in accordance with such resolution by the method or system so adopted."

Enquiries from investors are closed with in an information and timely manner. To promote effective communication, the Company maintains a website at http://www.neptunegroup.com.hk where extensive information are posted.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2016.

PRINCIPAL PLACE OF BUSINESS

Neptune Group Limited (the "Company", together with its subsidiaries, the "Group") is a company incorporated in Hong Kong and has its registered office and principal place of business at Room 3328C, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in the section "Particulars of Principal Subsidiaries" to the annual report.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively referred to as the "Group") during the financial year are set out in note 6 to the financial statements.

RESULTS AND DIVIDEND

The profit of the Group for the year ended 30 June 2016 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 31 to 116.

The directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2016.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 34 and note 26(a) to the financial statements, respectively.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the Company's and the Group's property, plant and equipment, and the Group's investment properties during the year are set out in notes 15 and 16 to the financial statements, respectively.

Particulars of properties held for investment by the Group are as follows:

Location	Approximate gross floor area	Held by the Group	Category of the lease	Use
Room 1807, 18/F, Shun Tak Centre 168-200 Connaught Road Central, Hong Kong	2,465 sq.ft.	100%	Long	Commercial

Report of the Directors

BORROWINGS

The maturity profile of the bank borrowings and assets pledged are set out in note 25 to the financial statements.

SHARE CAPITAL

On 17 June 2016, 230,812,225 ordinary shares in the Company, at a price of HK$0.42 per share, were issued pursuant to an open offer on the basis of one offer share for every two existing shares. The net proceeds from the open offer amounted to HK$94.07 million, of which was used for (i) the development and operation of money lending business; (ii) possible acquisition of investment properties in Hong Kong leasing purpose; and (iii) the general working capital of the Group.

Details of the share capital of the Company are set out in note 26(b) to the financial statements.

DIRECTORS

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

Executive directors:
Mr. Danny Xuda Huang *(Chairman)*
Mr. Nicholas J. Niglio *(Chief Operation Officer)*
Mr. Chan Shiu Kwong, Stephen *(Chief Financial Officer)*
Mr. Lin Chuen Chow, Andy

Independent non-executive directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis

In accordance with Articles 79 and 84 of the Company's Articles of Association, Mr. Nicholas J. Niglio & Mr. Lin Chuen Chow, Andy shall retire by rotation and being eligible, offer themselves 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.

CONFIRMATION OF INDEPENDENCE

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

Report of the Directors

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

(1) Shares

At 30 June 2016, none of the directors and the chief executive, and any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO"), which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(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 Shares options held	Percentage of Outstanding Options as at 30 June 2016
Mr. Danny Xuda Huang	4,178,000	23.99%
Mr. Chan Shiu Kwong, Stephen	4,412,000	25.34%
Mr. Nicholas J. Niglio	4,412,000	25.34%
Mr. Lin Chuen Chow, Andy	4,178,000	23.99%

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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.

Unless otherwise cancelled or amended, the New Scheme 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.

At 30 June 2016, the total number of shares available for issue under the New Scheme was 17,414,000 (2015: 29,900,000) shares, representing 2.52% (2015: 0.65%) of the number of ordinary shares of the Company in issue as at 30 June 2016 and the date of this annual report. During the year ended 30 June 2016, 164,000,000 (2015: Nil) options were granted under the New Scheme to eligible participants. In addition, 23,000,000 (2015: 23,000,000) options granted under the New Scheme were lapsed during the year ended 30 June 2016 following the cessation of employments of certain grantees.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES (Continued)

At 30 June 2016, the Company had 16,712,000 and 702,000 outstanding options under the New Scheme with exercise prices of HK$0.610 and HK$3.307 (2015: HK$0.728 for the Scheme and HK$0.337 for the New Scheme before any adjustments upon completion on share consolidation in May 2016 and open offer in June 2016), respectively. At 30 June 2016, the weighted average remaining contractual life of the options was 9.42 years (2015: 2.14 years).

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 ASSOCIATE

Details of the Company's subsidiaries and associate as at 30 June 2016 are set out in the section "Particulars of Principal Subsidiaries" to the annual report and note 19 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 CONTRACT

There is no service contract with any director which is not determinable by the Company or any of its subsidiaries which one year without payment of compensation, other than normal statutory compensation.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 33 to the financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company or any entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in notes 9(b), 11 and 12 to the financial statements.

MAJOR CUSTOMERS

The percentage of sales for the year attributable to the Group's major suppliers and customers are as follows:

Sales

–	the largest customer	36.19%
–	five largest customers in aggregate	100%

MAJOR CUSTOMERS (Continued)

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above. Except two out of the five largest customers hold 45.22% of the share capital of the Company contribute 41.3% of revenue for this year.

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, according to the information available to the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholders	Long/short position	Number of ordinary shares held	Percentage of shares held
Ultra Choice Limited	Long	108,000,000	15.60%
Miss Lin Yee Man	Long	205,125,000	29.62%

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 2016.

MATERIAL RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group are set out in note 33 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of the Company's directors and senior management are set out on pages 10 to 11 of this annual report.

RETIREMENT SCHEME

Particulars of the retirement scheme operated by the Group are set out in note 27 to the financial statements. In the opinion of the Company's directors, the Group had no significant obligations at 30 June 2016 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 Company's 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 Listing Rules throughout the accounting year covered by the financial statements, except for the Code Provisions A.6.7, details of which are set out in the Corporate Governance Report on pages 12 to 22 of this annual report.

Report of the Directors

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 the Model Code and the code of conduct regarding to securities transaction by the directors adopted by the Company. Details of compliance with the Model Code by directors are set out in the Corporate Governance Report on pages 12 to 22 of this annual report.

SUFFICIENCY OF 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 annual report, the Company has maintained the prescribed public float 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 2016.

AUDITOR

The financial statements of the Company and its subsidiaries for the years ended 30 June 2014 and 2015 were audited by CCIF CPA Limited ("CCIF") who resigned as auditor of the Company with effect from 5 February 2016.

On 5 February 2016, Crowe Horwath (HK) CPA Limited ("Crowe Horwath") was appointed as new auditor of the Company to fill the casual vacancy following the resignation of CCIF and to hold office until the conclusion of the next annual general meeting of the Company.

The reason for the change of the auditor of the Company is that CCIF has merged its business with PCP CPA Limited to form a new company operated under the name of Crowe Horwath (HK), the Board considers that it is in the best interests of the Company and the shareholders of the Company as a whole if the auditor is able to continue to serve the Company under the more internationally renowned name of Crowe Horwath (HK), a member firm in Hong Kong of Crowe Horwath International.

The financial statements for the year ended 30 June 2016 were audited by Crowe Horwath. A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Crowe Horwath as auditor of the Company.

On Behalf of the Board

Danny Xuda Huang
Chairman

Hong Kong, 19 December 2016

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE MEMBERS 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 31 to 116, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 405 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

BASIS FOR QUALIFIED OPINION

As disclosed in note 19 to the consolidated financial statements, the net assets of the associate mainly comprised of intangible assets and trade receivables. During the year ended 30 June 2016, the associate did not receive any settlements of the trade receivables due by the junket promoter. Subsequent to the reporting period in October 2016, the junket promoter made a settlement of HK$20,000,000 and the remaining balance of trade receivables of HK$234,015,000 remains outstanding. In assessing the recoverable amount of the interest in an associate, the Group engaged an independent professional valuer to estimate the fair value of the intangible assets held by the associate based on a discounted estimated future cash flows basis. In valuing the intangible assets, the major assumptions used are the timing and the probability of cash flow settlement from the junket promoter. Given that the junket promoter did not make any settlements during the year ended 30 June 2016 and other than the aforesaid HK$20,000,000, no subsequent settlements of trade receivables were made up to the date of approval of these consolidated financial statements, we were unable to obtain sufficient appropriate evidence to assess the assumptions made by the directors in the valuation of the associate's intangible assets as well as the recoverable amount of the associate's trade receivables. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the valuation of the interest in an associate of HK$73,100,000 as included in the consolidated statement of financial position as at 30 June 2016 and the Group's share of profit of an associate of HK$16,650,000 as included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016. Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 30 June 2016 and of its financial performance and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

REPORT ON OTHER MATTERS UNDER SECTION 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In accordance with the Hong Kong Companies Ordinance, we have the following matter to report. In our opinion, in respect alone of the inability to obtain sufficient appropriate audit evidence regarding the valuation of the interest in an associate as at 30 June 2016 and the share of profit of an associate for the year ended 30 June 2016 as described in the Basis for Qualified Opinion paragraph above:

- We have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 19 December 2016

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	6	**278,651**	473,558
Other income	7	**8,709**	4,445
Other net loss	8	**(39,602)**	(248,491)
Impairment loss of trade receivables		**(62,997)**	(344,289)
Impairment loss of intangible assets		**(450,870)**	(875,222)
Amortisation of intangible assets	17	**(205,416)**	–
General and administrative expenses		**(11,317)**	(6,194)
Loss from operations		**(482,842)**	(996,193)
Share of profit/(loss) of an associate	19	**16,650**	(1,879)
Finance costs	9(a)	**(507)**	(524)
Loss before taxation	9	**(466,699)**	(998,596)
Income tax	10	**–**	–
Loss for the year		**(466,699)**	(998,596)
Other comprehensive income for the year (net of nil tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**(39,672)**	(209,852)
Impairment loss on available-for-sale investments		**39,672**	209,852
		–	–
Loss and total comprehensive loss for the year		**(466,699)**	(998,596)
Loss for the year attributable to			
– Owners of the Company		**(202,108)**	(828,012)
– Non-controlling interests		**(264,591)**	(170,584)
		(466,699)	(998,596)
Total comprehensive loss attributable to			
– Owners of the Company		**(202,108)**	(828,012)
– Non-controlling interests		**(264,591)**	(170,584)
		(466,699)	(998,596)
		HK$	HK$ (Restated)
Loss per share	14		
– Basic and diluted		**(0.43)**	(1.79)

The notes on pages 36 to 116 form an integral part of these financial statements.

Consolidated Statement of Financial Position

At 30 June 2016

	Note	2016 HK$'000	2016 HK$'000	2015 HK$'000	2015 HK$'000
Non-current assets					
Property, plant and equipment	15		**403**		643
Investment property	16		**60,000**		59,200
Intangible assets	17		**571,285**		1,227,571
Goodwill	18		**–**		–
Interest in an associate	19		**73,100**		56,205
Available-for-sale investments	21		**–**		39,672
			704,788		1,383,291
Current assets					
Derivative financial instruments	29	**–**		67	
Trade and other receivables	22	**625,340**		406,080	
Amount due from an associate	19	**–**		233	
Cash and cash equivalents	23(a)	**148,562**		58,207	
		773,902		464,587	
Less: Current liabilities					
Other payables	24	**10,590**		10,030	
Bank borrowing, secured	25	**16,448**		18,817	
		27,038		28,847	
Net current assets			**746,864**		435,740
Net assets			**1,451,652**		1,819,031

Consolidated Statement of Financial Position

At 30 June 2016

	Note	2016 HK$'000	2016 HK$'000	2015 HK$'000	2015 HK$'000
Capital and reserves					
Share capital	26(b)		**1,171,921**		1,077,853
Other reserves			**(109,802)**		87,054
Equity attributable to owners of the Company			**1,062,119**		1,164,907
Non-controlling interests			**389,533**		654,124
Total equity			**1,451,652**		1,819,031

Approved and authorised for issue by the board of directors on 19 December 2016 and are signed on its behalf by:

Nicholas J. Niglio
Director

Chan Shiu Kwong, Stephen
Director

The notes on pages 36 to 116 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 July 2014	1,077,853	5,922	–	2,264	3,868	(51,221)	954,233	1,992,919	974,392	2,967,311
Loss for the year	–	–	–	–	–	–	(828,012)	(828,012)	(170,584)	(998,596)
Change in fair value of available-for-sale investments	–	–	(209,852)	–	–	–	–	(209,852)	–	(208,952)
Impairment loss on available-for-sale investments	–	–	209,852	–	–	–	–	209,852	–	(208,952)
Total comprehensive loss for the year	–	–	–	–	–	–	(828,012)	(828,012)	(170,584)	(998,596)
Transfer to retained profits upon lapse of share options	–	–	–	–	(1,463)	–	1,463	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(149,684)	(149,684)
Balance at 30 June 2015	1,077,853	5,922	–	2,264	2,405	(51,221)	127,684	1,164,907	654,124	1,819,031

	Attributable to owners of the Company									
	Share capital HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 July 2015	1,077,853	5,922	–	2,264	2,405	(51,221)	127,684	1,164,907	654,124	1,819,031
Loss for the year	-	-	-	-	-	-	(202,108)	(202,108)	(264,591)	(466,699)
Change in fair value of available-for-sale investments	-	-	(39,672)	-	-	-	-	(39,672)	-	(39,672)
Impairment loss on available-for-sale investments	-	-	39,672	-	-	-	-	39,672	-	39,672
Total comprehensive loss for the year	-	-	-	-	-	-	(202,108)	(202,108)	(264,591)	(466,699)
Transfer to retained profits upon lapse of share options	-	-	-	-	(1,524)	-	1,524	-	-	-
Shares issued under open offer (note 26(b)(ii))	96,941	-	-	-	-	-	-	96,941	-	96,941
Transaction costs attributable to issue of new ordinary shares from open offer (note 26(b)(ii))	(2,873)	-	-	-	-	-	-	(2,873)	-	(2,873)
Recognition of equity-settled share-based compensations: share options (note 28)	-	-	-	-	5,252	-	-	5,252	-	5,252
Balance at 30 June 2016	1,171,921	5,922	-	2,264	6,133	(51,221)	(72,900)	1,062,119	389,533	1,451,652

The notes on pages 36 to 116 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Net cash (used in)/generated from operating activities	23(b)	**(756)**	351,814
Investing activities			
Dividend received from an associate		**–**	55,902
Loans advance to non-controlling interests		**–**	(92,147)
Interest received		**512**	468
Loan interest received		**82**	–
Proceeds from disposal of a subsidiary		**–**	6
Advance to an associate		**(12)**	–
Payment for addition of investment property		**(663)**	–
Repayment from an associate		**–**	1,465
Net cash used in investing activities		**(81)**	(34,306)
Financing activities			
Dividends paid to non-controlling interests		**–**	(301,853)
Repayments of bank borrowing		**(2,369)**	(2,114)
Interest paid on bank borrowing		**(507)**	(524)
Proceeds from issuance of new ordinary shares under open offer	26(b)(ii)	**96,941**	–
Payment for transaction costs attributable to issue of new ordinary shares from open offer	26(b)(ii)	**(2,873)**	–
Net cash generated from/(used in) financing activities		**91,192**	(304,491)
Net increase in cash and cash equivalents		**90,355**	13,017
Cash and cash equivalents at beginning of the year		**58,207**	45,190
Cash and cash equivalents at end of the year	23(a)	**148,562**	58,207

The notes on pages 36 to 116 form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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. 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 2016 comprise the Company and its subsidiaries (including a structured entity) (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 consolidated 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 property (note 1(g));

– available-for-sale investments (note 1(f)); and

– derivative financial instruments (note 1(w)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Functional and presentation currency

Items included in the financial statements of each entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("presentation currency"), which is the Company's functional and presentation currency. All financial information presented in Hong Kong dollars 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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries and structured entities are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries and contributions to a structured entity are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equities in 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 interest's 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 owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in subsidiaries 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 or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(k)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associate

An associate is an entity in which the Group 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. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted 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)). Any acquisition-date excess over cost, 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 profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is also recognised in the consolidated statement of profit or loss and other 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 investee, 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(f)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)(i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 "Income Taxes";

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 "Employee Benefits";

- liabilities or equity instruments relating to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Sharebased Payment" at the acquisition date; and

- 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" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)(i) Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and an associate, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses 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 which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 1(s)(iii).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in equity securities (Continued)

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Investment property

Investment property is land and/or building which is owned or held under a leasehold interest (see note 1(j)) 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 property is stated at fair value, unless it is still in the course of construction or development at the end of the reporting period and its fair value cannot be reliably measured 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 property 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(j)), 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(j).

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 1(k)).

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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
– Furniture, fixtures and equipment	5 years
– Computer equipment	5 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.

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 proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Intangible assets (other goodwill)

On or before 30 June 2015

Intangible assets that were acquired by the Group were not amortised while their useful lives were assessed to be indefinite. Any conclusion that the useful life of an intangible asset was indefinite was reviewed annually to determine whether events and circumstances continued to support the indefinite useful life assessment for that asset. If they did not, the change in the useful life assessment from indefinite to definite was accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out below.

From 1 July 2015 onwards

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)).

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 following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Rights in sharing of profit streams	5 to 7 years

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements

For the year ended 30 June 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

(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 as expenses in the accounting period in which they are incurred.

(k) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

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

– For investment in an associate accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment 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 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 these financial assets 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.

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

– For available-for-sale investments which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even through the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised in other comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables 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 receivables 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; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets, 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 fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

– 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 of disposal (if measurable) 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.

(iii) *Interim financial reporting and impairment*

Under the Listing Rules, 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 1(k)(ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity investments 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 investment increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, 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 (see note 1(k)).

(m) Interest-bearing borrowing

Interest-bearing borrowing is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowing is 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 borrowing, together with any interest and fees payable, using the effective interest method.

(n) Other payables

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.

(p) Employee benefits

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share options reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing 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 profit or loss for the year of the 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 included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits/accumulated losses).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 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 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 realize the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities

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

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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(iii) Dividends

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

(iv) Interest income

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

(t) 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 July 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 the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs

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

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

(v) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in note 1(v)(a).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

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

(vii) A person identified in note 1(v)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) 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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers ("CODMs") being the directors of the Company, 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.

2. CHANGES IN ACCOUNTING POLICIES

There are no new standards or amendments to HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group. The Group has not applied any new standard or amendment to HKFRSs that is not yet effective for the current accounting period.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of each reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) *Determining that certain investees are subsidiaries with more than 50% of the potential voting power are owned by the Group*

For Base Move Investments Limited

The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group 80% (2015: 80%) voting power over Base Move Investments Limited ("Base Move"). Based on the directors' assessment, the currently exercisable purchased call option provided the Group with the potential voting rights over Base Move which in turn provided the Group with the right to variable returns but also the ability to use its power to affect its returns from its involvement in Base Move. In addition, the Group exercised control over the board of directors of Base Move. In preparing the Group's consolidated financial statements for the years ended 30 June 2016 and 2015, Base Move was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 30% (2015: 30%) equity interests in Base Move at 30 June 2016, 70% (2015: 70%) of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

For Essence Gold Investment Limited

The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group 100% (2015: 100%) voting power over Essence Gold Investment Limited ("Essence Gold"). Based on the director's assessment, the currently exercisable purchased call option provided the Group with the potential voting right over Essence Gold which in turn provided the Group with the right to variable returns but also the ability to use its power to affect its returns from its involvement in Essence Gold. In addition, the Group exercised control over the board of directors of Essence Gold. In preparing the Group's consolidated financial statements for the years ended 30 June 2016 and 2015, Essence Gold was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 20% (2015: 20%) equity interest in Essence Gold, 80% (2015: 80%) of the post-acquisition results and net assets of Essence Gold were allocated to non-controlling interest.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

(ii) Determining that an investee is not a subsidiary even though more than 50% of the potential voting power is owned by the Group

For Superiority Wealthy Limited

The Group held 5% (2015: 5%) equity interests in Superiority Wealthy at 30 June 2016. The currently exercisable purchased call option, if exercised would give, in aggregate, the Group 100% (2015: 100%) voting power over Superiority Wealthy Limited ("Superiority Wealthy"). Based on the director's assessment, the Group did not have the financial ability for paying the aggregate consideration to vendor if the call option was fully exercised. There was a significant financial barrier for the Group to exercise the call option. In addition, the Group did not have an intention to exercise the call option since the date of acquisition or in the future. The Group did not participate in financial and operating policy decision making process of Superiority Wealthy. Although the currently exercisable purchased call option provided the Group with the potential voting right over Superiority Wealthy, the Group did not have power over Superiority Wealthy or right to variable returns from its involvement with Superiority Wealthy due to the reasons stated above. In preparing the Group's consolidated financial statements for the years ended 30 June 2016 and 2015, Superiority Wealthy was not consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statement". Superiority Wealthy was treated as available-for-sale investment on the Group's consolidated financial statements.

(b) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of intangible assets

In accordance with HKAS 36 "Impairment of Assets" and the relevant accounting policy stated in note 1, the Group is required to test each of intangible assets for impairment by comparing its recoverable amount with its carrying amount annually, whether there is any 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 of disposal 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.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(i) Impairment of intangible assets (Continued)

Impairment loss on intangible assets of approximately HK$450,870,000 (2015: HK$875,222,000) was recognised during the year ended 30 June 2016 and the carrying amount of the intangible asset was HK$571,285,000 (2015: HK$1,227,571,000) as at 30 June 2016. Details of the impairment assessment of intangible asset are set out in note 17.

(ii) Useful life of intangible assets

Prior to 1 July 2015, the directors considered that the useful life of the Group's intangible assets which represented the rights in sharing of profit streams from junket businesses at the respective casinos' VIP rooms in Macau was indefinite because the directors expected that the intangible assets could contribute cash flows to the Group indefinitely.

From time to time, the directors reviewed the useful life of intangible assets. Since the termination of the Lucky Star Profits Agreements on 1 July 2015, the directors reassessed the useful life of the remaining profit sharing agreements. When assessing the useful life of the intangible assets, the directors have taken into account the prolonged difficult business environment of the gaming industry, particularly the VIP room operations, the shifting of focus to tourists and recreational players in the gaming industry in Macau as well as the uncertainty of the outcome of the renewal of the relevant gaming concession contracts by the Macau government. After the assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, an amortisation of intangible assets was provided over the estimated useful life of 5 to 7 years starting from the beginning of the current year.

(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.

As at 30 June 2016, the carrying amount of trade and other receivables (excluding sundry deposits and prepayments) is approximately HK$624,089,000 (2015: HK$404,829,000). Details of the impairment of receivables are disclosed in note 22.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Impairment of available-for-sale investments

The Group classifies certain assets as available-for-sale investments and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss and other comprehensive income. In view of the significant decline in the fair value of the available-for-sale investments, an impairment loss of HK$39,672,000 has been recognised for the available-for-sale investments as at 30 June 2016 (2015: HK$209,852,000). The carrying amount of the available-for-sale investments was nil at 30 June 2016 (2015: HK$39,672,000).

(v) 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.

(vi) 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.

4. FINANCIAL INSTRUMENTS BY CATEGORIES

	2016 HK$'000	2015 HK$'000
Financial assets		
Fair value through profit or loss held for trading		
– Derivative financial instruments	–	67
Loans and receivables		
– Trade and other receivables	624,089	404,829
– Amount due from an associate	–	233
– Cash and cash equivalents	148,562	58,207
	772,651	463,269
Available-for-sale investments	–	39,672
Financial liabilities measured at amortised cost		
– Other payables	8,998	8,438
– Bank borrowing, secured	16,448	18,817
	25,446	27,255

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group has exposure to the credit risk, liquidity risk, interest rate risk and other price risk arising from financial instruments. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables (including short-term loan receivables), individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. 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. The Group obtains collateral from customers in respect of trade receivables as at 30 June 2016.

The credit risk on cash at banks 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 debtor rather than the industry or country in which debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At 30 June 2016, 37.9% (2015: 43.8%) and 100% (2015: 90.0%) of the total trade receivables was due from the Group's largest customer and the three largest customers, respectively, within the gaming and entertainment segment. In addition, at 30 June 2016, 99.7% (2015: 99.8%) of the total other receivables was due from non-controlling interests of certain subsidiaries of the Company, representing short-term loan receivables and interest receivables.

The Group also had credit risk in relation to amount due from an associate amounting to HK$233,000 at 30 June 2015. In order to minimise the credit risk, the management had reviewed the recoverable amount of the amount due from an associate regularly to ensure that adequate impairment loss was made for any irrecoverable amount. In this regard, the directors of the Company considered that the Group's credit risk on amount due from an associate was significantly reduced.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further details on the Group's credit policy and quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval from board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions 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 non-derivative financial liabilities, 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 can be required to pay.

Specifically, for term loan which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Contractual undiscounted cash outflows				
	Within 1 year or on demand	**After 1 year but less than 5 years**	**More than 5 years**	**Total**	**Total carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2016					
Non-derivative financial liabilities					
Bank borrowing, secured	**2,876**	**11,504**	**3,596**	**17,976**	**16,448**
Other payables	**8,998**	**–**	**–**	**8,998**	**8,998**
	11,874	**11,504**	**3,596**	**26,974**	**25,446**
Adjustments to disclose cash flows on bank borrowing based on the lender's right to demand repayment	**13,572**	**(11,504)**	**(3,596)**	**(1,528)**	
	25,446	**–**	**–**	**25,446**	

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	Contractual undiscounted cash outflows				
	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	Total carrying amount HK$'000
At 30 June 2015					
Non-derivative financial liabilities					
Bank borrowing, secured	2,876	11,504	6,472	20,852	18,817
Other payables	8,438	–	–	8,438	8,438
	11,314	11,504	6,472	29,290	27,255
Adjustments to disclose cash flows on bank borrowing based on the lender's right to demand repayment	15,941	(11,504)	(6,472)	(2,035)	
	27,255	–	–	27,255	

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowing issued at a variable rate that exposes the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out below.

Interest rate profile

The following table details the interest rate profile of the Group's bank borrowing at the end of the reporting period:

	2016		2015	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Variable rate borrowing:				
Bank borrowing, secured	**2.85%**	**16,448**	2.85%	18,817

During the years ended 30 June 2016 and 2015, the Group did not enter into any interest rate swap contracts.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis

At 30 June 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate bank borrowing, with all other variables held constant, would increase/decrease the Group's loss after tax and increase/decrease the accumulated losses of the Group by approximately HK$164,000 (2015: increase/decrease the Group's loss after tax and decrease/increase the retained profits of the Group by approximately HK$188,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2015: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(d) Other price risk

The Group is exposed to other price risk arising from the call options of the Group in certain subsidiaries (see note 29) and available-for-sale investments measured at fair value (see note 21). The fair values of the call options were calculated using the Black Scholes Option Pricing Model and amongst other inputs including the estimates of the share price of subsidiaries by reference to the expected earnings of the relevant subsidiaries. The fair values of the available-for-sale investments were calculated with reference to the recoverable amount of the intangible assets of investees based on the value-in-use calculations and amongst other inputs including the discount rate by reference to specific risks relating to the gaming and entertainment segment.

Sensitivity analysis

The fair values of the call options and available-for-sale investments were valued using the Black Scholes Option Pricing Model and with reference to the recoverable amount of the intangible assets of investees based on the value-in-use calculations, respectively, which based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the call options and available-for-sale investments recognised in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Other price risk (Continued)

If the following input to the valuation model/method had been 10% higher/lower while all variables were held constant, in which the available-for-sale investments have been impaired at the end of the reporting period, the loss would have decreased/(increased) for the years ended 30 June 2016 and 2015 as follows:

	2016		2015	
	Higher by 10% HK$'000	**Lower by 10% HK$'000**	Higher by 10% HK$'000	Lower by 10% HK$'000
(i) Call options and the effect in profit or loss				
Expected share price of relevant subsidiaries	**–**	**–**	297	(63)
(ii) Available-for-sale investments and the effect in profit or loss				
Discount rate	**–**	**–**	(1,475)	1,607

In management's opinion, the sensitivity analysis are not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation of the call options and available-for-sale investments involves multiple variables where certain variables are interdependent.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) *Financial assets and liabilities measured at fair value* (Continued)

The derivative financial instruments and the available-for-sale investments were measured at fair value at the end of the reporting period with reference to the valuation reports issued by an independent qualified professional valuer.

Assets

	2016			
		Fair value measurement categorised into		
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Derivative financial instruments	–	–	–	–
Available-for-sale investments	–	–	–	–
	–	–	–	–

	2015			
		Fair value measurement categorised into		
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Derivative financial instruments	67	–	–	67
Available-for-sale investments	39,672	–	–	39,672
	39,739	–	–	39,739

During the years ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) *Financial assets and liabilities measured at fair value* (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average	Sensitivity of the input to fair value
Derivative financial instruments	Black Scholes Option Pricing Model	Expected volatility of underlying share price	35.2-43.5% (2015: 37.4% – 38.0%)	10% increase (decrease) in volatility would result in increase (decrease) in fair value by nil (nil) (2015: increase (decrease) by HK$114,000 (HK$51,000))
Available-for-sale investments	Income approach with reference to the recoverable amount of the intangible assets of investees	Discount rate	21.72% (2015: 16.95%)	10% increase (decrease) in discount rate would result in decrease (increase) in fair value by nil (nil) (2015: decrease (increase) by HK$1,475,000 (HK$1,607,000))

The fair values of the call options were calculated using the Black Scholes Option Pricing Model and amongst other inputs including the estimates of the share price of subsidiaries by reference to the expected earnings of the relevant subsidiaries. The fair values of the available-for-sale investments were calculated with reference to the recoverable amount of the intangible assets of investees based on the value-in-use calculations and amongst other inputs including the discount rate by reference to specific risks relating to the gaming and entertainment segment.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Derivative financial instruments HK$'000	Available-for-sale investments HK$'000	Total HK$'000
At 1 July 2014	33,203	249,524	282,727
Total loss recognised in profit or loss			
– fair value change included in			
other net loss (note 8)	(33,136)	–	(33,136)
Fair value change recognised in			
other comprehensive income	–	(209,852)	(209,852)
At 30 June 2015 and 1 July 2015	67	39,672	39,739
Total losses recognised in profit or loss			
– fair value change included in			
other net loss (note 8)	(67)	–	(67)
Fair value change recognised in			
other comprehensive income	–	(39,672)	(39,672)
At 30 June 2016	–	–	–

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2016 and 2015.

6. REVENUE AND SEGMENT REPORTING

The principal activity of the Company and its subsidiaries is introducing customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino's VIP rooms in Macau (the "Gaming and Entertainment Business").

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's CODM, being the directors of the Company, for the purposes of resource allocation and performance assessment, the CODM reviewed the Group's result as a whole which was generated solely from the Gaming and Entertainment Business and the Group has identified the Gaming and Entertainment Business as the Group's sole operating reportable segment. The Group's results and financial position are reviewed as a whole. Accordingly, no segment analysis is presented other than the entity wide disclosure.

(a) Geographical information

The Group's business operates in two principal geographical areas – (i) Hong Kong and (ii) Macau (place of domicile). In presenting information on the basis of geographical locations, revenue is based on the location of customers. The Group's non-current assets include property, plant and equipment, investment property, intangible assets, goodwill and interest in an associate. The geographical locations of property, plant and equipment and investment property are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which they are allocated. In the case of interest in an associate, it is the location of operation of the associate.

	Hong Kong		**Macau**	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Revenue from external customers	**–**	–	**278,651**	473,558
Non-current assets	**60,403**	59,843	**644,385**	1,283,776

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Information about major customers

Revenue from customers contributing 5% or more of the total revenue of the Group are as follows:

	Note	2016 HK$'000	2015 HK$'000
Customer A	(i)	**91,058**	203,332
Customer B	(ii)	**72,512**	108,197
Customer C	(iii)	**100,846**	107,332
Customer D	(iv)	**14,235**	35,777

Notes:

(i) Customer A is an entity owned by a shareholder of a non-controlling interest of a subsidiary.

(ii) Customer B is an entity owned by a shareholder of a non-controlling interest of another subsidiary.

(iii) Customer C is an entity owned by a shareholder of a substantial shareholder of the Company.

(iv) Customer D is an entity owned by a shareholder of another substantial shareholder of the Company.

The analysis of the revenue for the years ended 30 June 2016 and 2015 is as follows:

	2016 HK$'000	2015 HK$'000
Revenue from external customers		
– Entities owned by shareholders of non-controlling interests of subsidiaries	**163,570**	311,529
– Entities owned by shareholders of substantial shareholders of the Company	**115,081**	143,109
– Others	**–**	18,920
	278,651	473,558

7. OTHER INCOME

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

	2016 **HK$'000**	2015 HK$'000
Interest income on financial assets not at fair value through profit or loss:		
– Bank interest income	**512**	468
Interest income on short-term loan receivables:		
– non-controlling interests of subsidiaries of the Company (note 22(d))	**6,435**	–
– other	**82**	–
Compensation from the junket promoter for shortfall in guaranteed profit (note)	**–**	2,811
Gross rental income	**1,680**	1,166
	8,709	4,445

Note: Pursuant to the profit assignment agreements and the supplementary profit assignment agreements in respect of the acquisition of Essence Gold, the Group is entitled to receive compensations from junket promoter, for Essence Gold's failure to achieving a predetermined guaranteed profit for the period up to 30 September 2014.

During the year ended 30 June 2015, profits generated from Essence Gold did not meet the guaranteed profit under the relevant profit assignment agreements, and accordingly the Group was entitled to receive the compensation from the junket promoter for shortfall in guaranteed profits of Essence Gold.

8. OTHER NET LOSS

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

	2016 **HK$'000**	2015 HK$'000
Gain on disposal of a subsidiary (Note 30)	**–**	306
Fair value changes on derivative financial instruments (Note 29)	**(67)**	(33,136)
Fair value change on securities held for trading	**–**	2
Fair value change on investment property (Note 16)	**137**	60
Impairment loss of other receivables (Note 22(b))	**–**	(5,871)
Impairment loss of available-for-sale investments (Note 21)	**(39,672)**	(209,852)
	(39,602)	(248,491)

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2016 HK$'000	2015 HK$'000
Interest expense on financial liabilities not at fair value through profit or loss:		
– Interest on bank borrowing	507	524

(b) Staff costs (including directors' remuneration)

	2016 HK$'000	2015 HK$'000
Contributions to defined contribution retirement plan	81	74
Share-based payments	5,252	–
Salaries and other benefits	2,789	2,591
	8,122	2,665

(c) Other items

	2016 HK$'000	2015 HK$'000
Auditor's remuneration		
– audit services	670	670
– other services	82	82
Depreciation of property, plant and equipment (Note 15)	240	322
Amortisation of intangible assets (Note 17)	205,416	–
Operating lease charges in respect of land and buildings:		
– Minimum lease payment	657	710
Gross rental income from an investment property less direct outgoings of HK$212,000 (2015: HK$194,000)	1,468	972

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to tax in the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made as the Group's entities did not have estimated assessable profits subject to tax in Hong Kong during the years ended 30 June 2016 and 2015.

The Group's entities operating in Macau receiving profit streams from gaming and entertainment related business are not subject to Macau Complimentary tax because the gaming revenue is received net of taxes collected by the Macau SAR paid directly by the casino operators on a monthly basis. No provision for Macau Complimentary tax has been made.

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	2016 **HK$'000**	2015 HK$'000
Loss before taxation	**(466,699)**	(998,596)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the tax jurisdictions concerned	**(57,464)**	(131,060)
Tax effect of tax losses not recognised	**613**	726
Tax effect of non-deductible expenses	**105,435**	186,648
Tax effect of non-taxable income	**(48,584)**	(56,314)
Income tax	**–**	–

(c) Deferred tax assets and liabilities not recognised

At 30 June 2016, the Group has unused tax losses of approximately HK$18,659,000 (2015: HK$14,945,000). No deferred tax asset has been recognised in respect of such tax losses as at 30 June 2016 due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 30 June 2016 and 2015, the Group did not have any other material unprovided deferred tax assets and liabilities.

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name of director	Directors' fee		Salaries, allowances and benefits in kind		Mandatory provident fund contributions		Share-based payment		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Executive director										
Mr. Danny Xuda Huang	**–**	–	**624**	610	**18**	18	**1,313**	–	**1,955**	628
Mr. Chan Shiu Kwong, Stephen	**–**	–	**557**	544	**18**	18	**1,313**	–	**1,888**	562
Mr. Nicholas J. Niglio (Note)	**–**	–	**458**	447	**–**	–	**1,313**	–	**1,771**	447
Mr. Lin Chuen Chow, Andy	**–**	–	**391**	381	**18**	18	**1,313**	–	**1,722**	399
Independent non-executive director										
Mr. Yue Fu Wing	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Cheung Yat Hung, Alton	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Chow Chung Lam, Louis (Appointed on 27 March 2015)	**20**	5	**–**	–	**–**	–	**–**	–	**20**	5
Mr. Chan Choi Kam (Resigned on 9 March 2015)	**–**	19	**–**	–	**–**	–	**–**	–	**–**	19
	140	144	**2,030**	1,982	**54**	54	**5,252**	–	**7,476**	2,180

Note: Mr. Nicholas J. Niglio is the chief executive of the Company. In addition, Mr. Nicholas J. Niglio reached the age of 65 in November 2011 and no mandatory provident fund was required to contribute by the Group thereafter.

During the years ended 30 June 2016 and 2015, no director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments for both years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2015: four) are directors of the Company, details of whose emoluments are disclosed in note 11 above.

The emolument in respect of the remaining one (2015: one) highest paid individual is as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits-in-kind	**239**	234
Retirement benefits scheme contributions	**12**	12
	251	246

The emolument of the remaining one (2015: one) highest paid individuals is within the band of "Nil – HK$1,000,000".

13. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2016 (2015: Nil).

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company of HK$202,108,000 (2015: HK$828,012,000) and the weighted average of 469,845,000 (2015 (restated): 461,624,000) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of calculating loss per share for the year ended 30 June 2015 has been restated to reflect the effects of the consolidation of ten shares into one share of the Company with effect in May 2016. Since there was no bonus element included in the open offer completed in June 2016, no adjustment was applied to the loss per share in this regard.

14. LOSS PER SHARE (Continued)

(b) Diluted loss per share

Diluted loss per share for the year ended 30 June 2016 was the same as the basic loss per share because the exercise of the Company's share options would result in a decrease in loss per share for that year.

Diluted loss per share for the year ended 30 June 2015 was the same as the basic loss per share because the exercise prices of the Company's outstanding share options were higher than the average market price of the Company's shares during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements and decoration HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:				
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	115	1,159	435	1,709
Accumulated depreciation:				
At 1 July 2014	37	412	295	744
Charge for the year	5	275	42	322
At 30 June 2015 and 1 July 2015	42	687	337	1,066
Charge for the year	5	193	42	240
At 30 June 2016	47	880	379	1,306
Carrying amount:				
At 30 June 2016	68	279	56	403
At 30 June 2015	73	472	98	643

16. INVESTMENT PROPERTY

	HK$'000
At fair value	
At 1 July 2014	59,140
Fair value adjustment (Note 8)	60
At 30 June 2015 and 1 July 2015	59,200
Additions to investment property	663
Fair value adjustment (Note 8)	137
At 30 June 2016	60,000

Fair value measurement of property

(i) Fair value hierarchy

The following table presents the fair value of the Group's property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

16. INVESTMENT PROPERTY (Continued)

Fair value measurement of property (Continued)

(i) *Fair value hierarchy* (Continued)

	2016			
		Fair value measurement categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Investment property:				
– Commercial – Hong Kong	**60,000**	**–**	**–**	**60,000**

	2015			
		Fair value measurement categorised into		
	Fair value	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment property:				
– Commercial – Hong Kong	59,200	–	–	59,200

During the years ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued as at 30 June 2016. The valuation was carried out by Roma Appraisals Limited, an independent firm of professional valuer not connected with the Group, who have among their staff members of the Hong Kong Institute of Surveyors and with recent experience in the location and category of property being valued. The management has discussion with the property valuer on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

16. INVESTMENT PROPERTY (Continued)

Fair value measurement of property (Continued)

(ii) Information about Level 3 fair value measurement

	Valuation technique	Significant unobservable inputs	Weighted average
Investment property – Commercial – Hong Kong	Market comparison approach	Premium/(discount) to transaction price by reflecting age, location, size and direction of the property	(5.22)% to 13.26% (2015: (4.04%) to 10.67%)

The fair value of investment property located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's property compared to the recent sales. Higher premium for higher quality property will result in a higher fair value measurement.

The movements during the period in the balance of this Level 3 fair value measurement are as follows:

	2016 **HK$'000**	2015 HK$'000
Investment property – Commercial – Hong Kong		
At 1 July	**59,200**	59,140
Fair value adjustment	**137**	60
Addition	**663**	–
At 30 June	**60,000**	59,200

Fair value adjustment on investment property is recognised in the line item "other net loss" on the face of the consolidated statement of profit or loss and other comprehensive income.

All the gain recognised in profit or loss for the year arised from the property held at the end of the reporting period.

17. INTANGIBLE ASSETS

	Rights in sharing of profit streams HK$'000
Cost:	
At 1 July 2014, 30 June 2015, 1 July 2015	2,918,693
Write-off (note (ii))	(168,900)
At 30 June 2016	2,749,793
Accumulated amortisation (note (i)):	
At 1 July 2014, 30 June 2015 and 1 July 2015	–
Charge for the year	205,416
At 30 June 2016	205,416
Accumulated impairment losses:	
At 1 July 2014	815,900
Impairment loss recognised during the year	875,222
At 30 June 2015 and 1 July 2015	1,691,122
Write-off (note (ii))	(168,900)
Impairment loss recognised during the year	450,870
At 30 June 2016	1,973,092
Carrying amount:	
At 30 June 2016	571,285
At 30 June 2015	1,227,571

17. INTANGIBLE ASSETS (Continued)

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau, and are related to the Gaming and Entertainment Business.

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$'000	Lucky Star Profit Agreements HK$'000	Hoi Long Profit Agreement HK$'000	Total HK$'000
At 1 July 2014	567,793	201,000	603,100	168,900	562,000	2,102,793
Impairment loss recognised during the year	(241,675)	(85,401)	(261,294)	(168,900)	(117,952)	(875,222)
At 30 June 2015 and 1 July 2015	326,118	115,599	341,806	–	444,048	1,227,571
Amortisation for the year	(46,588)	(16,514)	(48,830)	–	(93,484)	(205,416)
Impairment loss recognised during the year	(96,082)	(71,593)	(66,852)	–	(216,343)	(450,870)
At 30 June 2016	183,448	27,492	226,124	–	134,221	571,285

Notes:

(i) Prior to 1 July 2015, the directors considered that the useful life of the Group's intangible assets which represented the rights in sharing of profit streams from junket businesses at the respective casinos' VIP rooms in Macau was indefinite because the directors expected that the intangible assets could contribute cash flows to the Group indefinitely.

From time to time, the directors reviewed the useful life of intangible assets. Since the termination of the Lucky Star Profits Agreements on 1 July 2015, the directors reassessed the useful life of the remaining profit sharing agreements. When assessing the useful life of the intangible assets, the directors have taken into account the prolonged difficult business environment of the gaming industry, particularly the VIP room operations, the shifting of focus to tourists and recreational players in the gaming industry in Macau as well as the uncertainty of the outcome of the renewal of the relevant gaming concession contracts by the Macau government. After the assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, an amortisation of intangible assets was provided over the estimated useful life of 5 to 7 years starting from the beginning of the current year.

As a result of this change in accounting estimate on the useful life of the intangible assets in the current year, the amortisation of intangible assets has increased by HK$205,416,000 from nil to HK$205,416,000 and the impairment loss on intangible assets has decreased by HK$205,416,000 from HK$656,286,000 to HK$450,870,000 for the year ended 30 June 2016.

(ii) Lucky Star Profit Agreements was terminated with effect on 1 July 2015 and accordingly, impairment loss of intangible assets of approximately HK$168,900,000 recognised in previous years, was write-off against the corresponding cost during the year ended 30 June 2016.

17. INTANGIBLE ASSETS (Continued)

Impairment tests for intangible assets with definite useful life

The recoverable amount of the intangible assets with definite useful life is determined based on value-in-use calculations by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. 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 period are extrapolated using zero (2015: zero) growth rate, which does not exceed the long-term average growth rate for gaming and entertainment industry. The cash flows are discounted using a discount rate of 21.72% (2015: 16.95%). The discount rate used is pre-tax and reflects specific risks relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development.

During the year ended 30 June 2016, an impairment loss of HK$450,870,000 (2015: HK$875,222,000) was recognised in respect of the Group's Gaming and Entertainment Business. The main factors contributing to the impairment were (i) the increase in discount rate and; (ii) the decrease in profit forecasts of Gaming and Entertainment Business estimated by the directors of the Company. In the opinion of the directors of the Company, the impact of softening of marco-economic condition in China and fewer high net-worth people going to Macau for gaming were the main factors leading to the decrease in profit forecasts of Gaming and Entertainment Business, in addition to the termination Lucky Star Profit Agreements. As the intangible assets were reduced to their recoverable amounts, and adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

18. GOODWILL

	Gaming and entertainment unit HK$'000
Cost:	
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	221,366
Accumulated impairment losses:	
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	(221,366)
Carrying amount:	
At 30 June 2016 and 2015	–

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

	Credible Limited HK$'000	**Sky Advantage Limited** HK$'000	**Profit Forest Limited** HK$'000	**Total** HK$'000
Cost:				
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	10,438	4,266	206,662	221,366
Accumulated impairment losses:				
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	(10,438)	(4,266)	(206,662)	(221,366)
Carrying amount:				
At 30 June 2016 and 2015	–	–	–	–

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2016	2015
	HK$'000	HK$'000
Share of net assets	**72,855**	56,205
Amount due from an associate (note)	**245**	233
	73,100	56,438
Representing		
Interest in an associate	**73,100**	56,205
Amount due from an associate	**–**	233

Note: The amount is unsecured, interest-free and repayable on demand.

At 30 June 2016, the Group had interest in the following associate, which is an unlisted company for strategic purpose:

Name of entity	**Form of business structure**	**Place of incorporation/ business**	**Class of shares held**	**Proportion of issued capital held by the Group**	**Proportion of voting power held**	**Principal activity**
Good Omen Enterprises Limited ("Good Omen") (note)	Incorporated with limited liability	The British Virgin Islands/Macau	Ordinary	20%	20%	Receive profit streams from gaming and entertainment related business

Note: The carrying amount of the interest in an associate mainly comprises of intangible assets and trade receivables. In assessing the recoverable amount of the interest in an associate, the directors noted that there were no settlements of trade receivables due by a junket promoter brought forward from 30 June 2015 and the revenue of HK$116,358,000 was recognised by the associate during the year ended 30 June 2016. Subsequent to the reporting period, the junket promoter made a repayment of HK$20,000,000 to the associate in October 2016. Since then, the junket promoter did not make any further payment to the associate and the remaining balance of HK$234,015,000 remains outstanding at the date of approval of these consolidated financial statements.

The Group engaged an independent valuer to estimate the recoverable amount of the intangible asset held by the associate on a value in use basis by discounting the estimated future cash flows. Based on a valuation performed by the independent professional valuer, the directors considered that no further provision for impairment loss is necessary as at 30 June 2016.

In September 2015, the associate engaged a lawyer to chase the repayment of outstanding trade receivables, since then the associate did not take any legal actions against the junket promoter for recovery of the overdue trade receivables. Given that the Group only held 20% interest in the associate and the remaining 80% is held by Ms. Lao who is also the owner of the junket, the directors consider that the Group as a non-controlling interests is in a very weak position to take actions against the associate and junket promoter because the associate and junket promoter are controlled by the same person Ms. Lao. In this circumstance, the board of the directors resolved to a proposed disposal of the interest in associate in November 2016.

The above associate is accounted for using the equity method in the consolidated financial statements.

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Summarised financial information of the associate, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Good Omen	
	2016	2015
	HK$'000	HK$'000
Gross amount of the associate		
Current assets	**170,875**	159,918
Non-current assets	**198,619**	231,722
Current liabilities	**(5,219)**	(110,614)
Net assets	**364,275**	281,026
Revenue	**116,358**	74,513
Expenses	**(33,109)**	(83,906)
Profit/(loss) for the year	**83,249**	(9,393)
Other comprehensive income	**–**	–
Total comprehensive income/(loss)	**83,249**	(9,393)
Dividend received from the associate	**–**	–
Reconciled to the Group's share of net assets of the associate:		
Net assets attributable to the owners of the associate	**364,275**	281,026
Proportion of the Group's interest in Good Omen	**20%**	20%
Net assets attributable to the Group	**72,855**	56,205

20. INTERESTS IN SUBSIDIARIES

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	For the year ended 30 June 2016			
	Base Move HK$'000 (note (i))	Essence Gold HK$'000 (note (ii))	Profit Forest Limited HK$'000	Sky Advantage Limited HK$'000
NCI percentage	70%	80%	15%	15%
Current assets	702,593	579,733	958,510	322,790
Non-current assets	183,448	134,221	226,124	27,492
Current liabilities	(646,349)	(493,799)	(957,961)	(272,787)
Net assets	239,692	220,155	226,673	77,495
Carrying amount of NCI	167,784	176,124	34,001	11,624
Revenue	72,512	91,058	100,846	14,235
Expenses	(131,232)	(348,300)	(193,893)	(39,139)
Loss for the year	(58,720)	(257,242)	(93,047)	(24,904)
Other comprehensive income	–	–	–	–
Total comprehensive loss	(58,720)	(257,242)	(93,047)	(24,904)
Loss allocated to NCI	(41,104)	(205,794)	(13,957)	(3,736)
Dividend declared attributable to NCI	–	–	–	–
Cash flows (used in)/generated from:				
– operating activities	(17)	983	(92,481)	94,463
– investing activities	17	–	5	(94,463)
– financing activities	–	17	94,475	–

20. INTERESTS IN SUBSIDIARIES (Continued)

	For the year ended 30 June 2015			
	Base Move HK$'000 (note (i))	Essence Gold HK$'000 (note (ii))	Profit Forest Limited HK$'000	Sky Advantage Limited HK$'000
NCI percentage	70%	80%	15%	15%
Current assets	618,605	525,929	839,358	259,588
Non-current assets	326,118	444,048	341,806	115,599
Current liabilities	(646,311)	(492,580)	(861,444)	(272,787)
Net assets	298,412	477,397	319,720	102,400
Carrying amount of NCI	208,888	381,918	47,958	15,360
Revenue	108,197	206,142	107,332	35,777
Expenses	(315,788)	(166,067)	(390,930)	(134,378)
(Loss)/profit for the year	(207,591)	40,075	(283,598)	(98,601)
Other comprehensive income	–	–	–	–
Total comprehensive (loss)/income	(207,591)	40,075	(283,598)	(98,601)
(Loss)/profit allocated to NCI	(145,314)	32,060	(42,540)	(14,790)
Dividend declared attributable to NCI	43,254	106,430	–	–
Cash flows generated from/(used in):				
– operating activities	74,959	200,983	79,983	(5)
– investing activities	(60,545)	(45,632)	(105,709)	5
– financing activities	(14,414)	(193,350)	25,726	–

Notes:

(i) With reference to note 3(a)(i) to the consolidated financial statements, Base Move was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 30% equity interests in Base Move as at 30 June 2016 and 2015, 70% of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

(ii) With reference to note 3(a)(i) to the consolidated financial statements, Essence Gold was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 20% equity interests in Essence Gold as at 30 June 2016 and 2015, 80% of the post-acquisition results and net assets of Essence Gold were allocated to non-controlling interests.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	HK$'000
Available-for-sale equity investments		
– Unlisted investments, at fair values		
At 1 July	**39,672**	249,524
Fair value adjustment	**(39,672)**	(209,852)
At 30 June	**–**	39,672

All of the unlisted investments were measured at fair value at the end of the reporting period by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer, and were held for strategic purpose not to be disposed of in the foreseeable future.

As a result of softening of marco-economic condition in China and fewer high net-worth people going to Macau for gaming, a loss in fair value change of approximately HK$39,672,000 (2015: HK$209,852,000) was recognised in the other comprehensive income and such loss was subsequently recognised in the profit or loss as an impairment loss in accordance with the accounting policy set out in note 1(k)(i).

22. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	Note	2016 HK$'000	2015 HK$'000
Trade receivables			
– Entities owned by shareholders of non-controlling interests of subsidiaries			
– Customer A		**269,224**	179,165
– Customer B		**204,882**	132,370
– Entities owned by shareholders of substantial shareholders of the Company			
– Customer C		**409,009**	215,696
– Customer D		**–**	80,233
– Other		**49,355**	49,355
	(a)	**932,470**	656,819
Less: Impairment loss on trade receivables	(b)	**(407,286)**	(344,289)
		525,184	312,530
Other receivables			
– Compensation receivable under the profit guarantee agreement	(b)	**5,871**	5,871
– Short term loan receivables	(d)	**92,147**	92,147
– Interest receivables	(d)	**6,435**	–
– Others		**1,036**	865
		105,489	98,883
Less: Impairment loss on other receivables	(b)	**(6,584)**	(6,584)
		98,905	92,299
Loans and receivables		**624,089**	404,829
Sundry deposits and prepayments		**1,251**	1,251
		625,340	406,080

22. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's trade and other receivables as at 30 June 2016 and 2015 approximate their fair values.

(a) Age analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date:

	2016	2015
	HK$'000	HK$'000
0 – 30 days	**26,789**	23,525
31 – 60 days	**21,510**	32,741
61 – 90 days	**21,317**	28,365
91 – 180 days	**76,080**	101,958
181 – 365 days	**132,955**	262,803
Over 365 days	**653,819**	207,427
	932,470	656,819
Less: Impairment loss on trade receivables	**(407,286)**	(344,289)
	525,184	312,530

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In September 2016, the Group entered into various agreements with trade debtors pursuant to which (i) the trade debtors agreed to settle the overdue trade receivables of HK$517,470,000 by monthly installments commencing from October 2016; (ii) the trade debtors and owners of the trade debtors charged all the undertaking, property, assets and rights of the gaming promoters to the Group; and (iii) the owners of the trade debtors guaranteed the full repayments of the outstanding amounts by the trade debtors.

Subsequent to 30 June 2016 and up to the date of approval of these financial statements, the trade debtors made a total payments of HK$373,456,000 (including three monthly installments for October, November and December 2016) to the Group. In November 2016, the trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade receivables. The market value of these properties as at 31 October 2016 were amounted to HK$151,728,000. Together with the amount of HK$373,456,000 already settled subsequent to 30 June 2016, the directors considered that only part of the outstanding trade receivables amounting HK$525,184,000 would be recoverable in full. Therefore, an additional impairment loss of HK$62,997,000 was made in the year ended 30 June 2016. The movement on impairment of trade receivables is set out on note 22(b).

Further details on the Group's credit policy are set out in note 5.

22. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

Movements in the allowance for doubtful debts

	Impairment loss/(reversal of impairment loss) on trade receivables		other receivables	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**344,289**	–	**6,584**	713
Impairment loss recognised during the year				
– Entities owned by shareholders of non-controlling interests of subsidiaries				
– Customer A	**41,718**	42,237	**–**	5,871
– Customer B	**(9,892)**	74,099	**–**	–
– Entities owned by shareholders of substantial shareholders of the Company				
– Customer C	**31,171**	129,626	**–**	–
– Customer D	**–**	48,972	**–**	–
– Other	**–**	49,355	**–**	–
	62,997	344,289	**–**	5,871
At the end of the year	**407,286**	344,289	**6,584**	6,584

At 30 June 2016, trade receivables and other receivables amounting to approximately HK$407,286,000 (2015: HK$344,289,000) and HK$6,584,000 (2015: HK$6,584,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 30 days at the end of the reporting period or were due from customers with financial difficulties. Accordingly, specific allowances for doubtful debts of trade receivables and other receivables of approximately HK$62,997,000 (2015: HK$344,289,000) and nil (2015: HK$5,871,000), respectively, were recognised during the year ended 30 June 2016.

22. TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade receivables that are not impaired

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**26,789**	22,440
Less than 1 month past due	**9,621**	31,597
1 to 3 months past due	**2,330**	54,083
More than 3 months but less than 12 months past due	**155,394**	204,410
More than 12 months past due	**331,050**	–
Total amounts past due	**498,395**	290,090
Total	**525,184**	312,530

During the year ended 30 June 2016, all the customers of the Group failed to settle the revenue of approximately HK$278,651,000 recognised for the year. At 30 June 2016, trade receivables that were (i) neither past due nor impaired; and (ii) past due but not impaired, relate to all customers that have either subsequently settled the trade receivables in an aggregate amount of HK$373,456,000 up to the date of approval of these financial statements or have procured several independent third parties to charge their properties in Macau with market value of HK$151,728,000 as at 31 October 2016 to the Group as securities for repayment of the overdue trade receivables.

22. TRADE AND OTHER RECEIVABLES (Continued)

(d) Short-term loans and interest receivables

During the year ended 30 June 2015, the Group entered into three loan agreements with three entities controlled by non-controlling interests of certain subsidiaries pursuant to which the Group provide total short-term loans of HK$92,147,000 for their business use.

Details of these loans are as follows:

	Balance as at		Interest Income	
Loan granted to	**30 June 2016**	30 June 2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Entity 1	**20,800**	20,800	**1,454**	–
Entity 2	**45,633**	45,633	**3,183**	–
Entity 3	**25,714**	25,714	**1,798**	–
	92,147	92,147	**6,435**	–

These short-term loan receivables are unsecured, bearing interest at 5.25% per annum and repayable on 1 March 2016. On 2 March 2016, the Group entered into supplemental loan agreements with these three entities for extending the loan period to 1 March 2017. During the year ended 30 June 2016, loan interest income of HK$6,435,000 (2015: Nil) was recognised in the profit or loss and received in September 2016.

On 15 November 2016, the non-controlling interests of certain subsidiaries procured an independent third party to provide personal guarantees in favour of the Group in respect of these short-term loan receivables of HK$92,147,000. In addition, the Group have obtained post dated cheques issued by the junket promoters for settlements of outstanding loans and the related loan interest. Accordingly, the directors considered that the short-term loans are fully recoverable and no provision for impairment is necessary.

Short term loan receivables were not past due at the end of the reporting period.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016	2015
	HK$'000	HK$'000
Cash at banks and in hand shown in the consolidated statements of financial position and cash flows	**148,562**	58,207

23. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of loss before taxation to net cash (used in)/generated from operating activities:

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Loss before taxation		**(466,699)**	(998,596)
Adjustments for:			
Interest income on bank deposits	7	**(512)**	(468)
Interest income on loan receivables	7	**(6,517)**	–
Impairment loss of available-for-sale investments	8	**39,672**	209,852
Impairment loss of other receivables	8	**–**	5,871
Impairment loss of trade receivables	22	**62,997**	344,289
Impairment loss of intangible assets	17	**450,870**	875,222
Amortisation of intangible assets	17	**205,416**	–
Depreciation of property, plant and equipment	15	**240**	322
Finance costs	9(a)	**507**	524
Share of (profit)/loss of an associate	19	**(16,650)**	1,879
Fair value changes on derivative financial instruments	29	**67**	33,136
Fair value change on securities held for trading	8	**–**	(2)
Fair value change on investment property	16	**(137)**	(60)
Gain on disposal of a subsidiary	8	**–**	(306)
Equity-settled share-based payments	28	**5,252**	–
Compensation from the junket promoter for shortfall in guaranteed profit	7	–	(2,811)
Changes in working capital			
Increase in trade and other receivables		**(275,822)**	(117,502)
Increase in other payables		**560**	464
Net cash (used in)/generated from operating activities		**(756)**	351,814

24. OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Interest payable	**6,160**	6,160
Other payables	**314**	314
Accruals	**1,940**	1,380
Deposit received	**584**	584
Financial liabilities measured at amortised cost	**8,998**	8,438
Provision for legal claim for rental payment	**1,592**	1,592
	10,590	10,030

25. BANK BORROWING, SECURED

At 30 June 2016 and 2015, the bank borrowing was due for repayment as follows:

	2016 HK$'000	2015 HK$'000
The bank borrowing that contain a repayable on demand clause:		
Current portion of term loan due for repayment within one year (note)	**2,439**	2,369
Non-current portion of term loan due for repayment after one year (note)		
– After 1 year but within 2 years	**2,509**	2,439
– After 2 years but within 5 years	**7,971**	7,747
– After 5 years	**3,529**	6,262
	14,009	16,448
	16,448	18,817

Note: The amounts due are based on scheduled repayment dates set out in the loan agreement.

25. BANK BORROWING, SECURED (Continued)

The non-current portion of interest-bearing term loan is carried at amortised cost and is expected to be settled after one year in accordance with the repayment schedule.

The term loan is secured by the mortgages over the investment property of HK$60,000,000 (2015: HK$59,200,000) and bearing interest at the bank's best lending rate less 2.4% (2015: bank's best lending rate less 2.4%) per annum.

In addition, the Group's term loan agreement contain a clause which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group does not consider it probable that the bank will exercise its discretion to demand immediate repayment for so long as the Group continues to meet the repayment schedule. Further details of the Group's management of liquidity risk are set out in note 5(b).

26. 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 movements 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	Property revaluation reserve	Non-distributable reserve	Share options reserve	Retained profits/ (accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2014	1,077,853	5,922	1,264	3,868	207,552	1,296,459
Loss for the year	–	–	–	–	(145,891)	(145,891)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(145,891)	(145,891)
Transfer to retained profits upon lapse of share options	–	–	–	(1,463)	1,463	–
Balance at 30 June 2015 and 1 July 2015	1,077,853	5,922	1,264	2,405	63,124	1,150,568
Loss for the year	**–**	**–**	**–**	**–**	**(273,981)**	**(273,981)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(273,981)**	**(273,981)**
Transfer to retained profits upon lapse of share options	**–**	**–**	**–**	**(1,524)**	**1,524**	**–**
Shares issued under open offer (Note 26(b)(ii))	**96,941**	**–**	**–**	**–**	**–**	**96,941**
Transaction costs attributable to issue of new ordinary shares from open offer (Note 26(b)(ii))	**(2,873)**	**–**	**–**	**–**	**–**	**(2,873)**
Recognition of equity-settled share-based compensations: share options (Note 28)	**–**	**–**	**–**	**5,252**	**–**	**5,252**
Balance at 30 June 2016	**1,171,921**	**5,922**	**1,264**	**6,133**	**(209,333)**	**975,907**

26. SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

	2016		2015	
	Number of shares ('000)	HK$'000	Number of shares ('000)	HK$'000
Ordinary shares, issued and fully paid:				
At 1 July	**4,616,245**	**1,077,853**	4,616,245	1,077,853
Effect of share consolidation (note i)	**(4,154,620)**	**–**	–	–
Shares issued under open offer (note ii)	**230,812**	**96,941**	–	–
Transaction costs attributable to issue of new ordinary shares from open offer (note ii)	**–**	**(2,873)**	–	–
At 30 June	**692,437**	**1,171,921**	4,616,245	1,077,853

Notes:

(i) Effective on 23 May 2016, ten ordinary shares of the Company were consolidated to one ordinary share (the "Consolidated Share").

(ii) On 27 June 2016, the Company completed the allotment and issuance of 230,812,225 ordinary shares, in which 197,887,291 ordinary shares were issued to the shareholders of the Company and 32,924,934 ordinary shares were issued to the underwriter due to under-subscription, by way of an open offer on the basis of one offer share for every two existing Consolidated Share held on 23 May 2016 at a subscription price of HK$0.42 each. The Company raised approximately HK$94,068,000 (net of directly attributable expenses of approximately HK$2,873,000) which was used for (i) the development and operation of money lending business; (ii) possible acquisition of investment properties in Hong Kong for leasing purpose; and (iii) the general working capital of the Group.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. SHARE CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) 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).

(ii) Other reserve

The other reserve represents the difference between the consideration paid and the amount of non-controlling interests being adjusted in connection with the acquisition of an additional equity interest in a subsidiary.

(iii) Property revaluation reserve

Property revaluation reserve represents the difference between the carrying amount and the fair value of a property at the date of transfer from property, plant and equipment to investment property that has been recognised in accordance with the accounting policy in note 1(h), and it is not distributable.

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 1(f).

(v) Non-distributable reserve

The non-distributable reserve represents the impact on acquisition of assets in previous years.

(d) Distributability of reserves

At 30 June 2016, the aggregate amount of reserves available for distribution to owners of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance was approximately HK$nil (2015: HK$63,124,000).

26. SHARE CAPITAL AND RESERVES (Continued)

(e) 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 consisted of debt (which included bank borrowing) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company 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:

	2016 **HK$'000**	2015 HK$'000
Total debt#	**16,448**	18,817
Equity attributable to owners of the Company	**1,062,119**	1,164,907
Gearing ratio	**1.55%**	1.62%

Total debt solely comprises bank borrowing as detailed in note 25.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (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$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

28. 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 (if any), 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 closing price of the Company's share listed on the Stock Exchange on the date of grant of the share options; and (b) the average closing price of the Company's shares listed on the Stock Exchange on five trading days immediately preceding the date of the grant of the share options.

The share options under the Scheme must be taken up by the participants within 21 business days from the date of grant upon payment of HK$1. Each share option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

28. 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 (if any).

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 the 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 the Scheme must not exceed 69,120,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period up to the date of grant must not exceed 1% of the aggregate number of shares for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

Share options granted to a connected person or its associates shall be approved by independent non-executive directors. In addition, any share options granted to a connected person who is also a substantial shareholder or an independent non-executive director of the Company, or to any 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 share options) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

New Share Option Scheme (Continued)

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.

Each share option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

Details of share options granted

At 30 June 2015, the total number of shares available for issue under the Scheme was 88,000 shares (2016: Nil), representing 0.002% (2016: Nil) of the number of ordinary shares of the Company in issue as at 30 June 2015. During the year ended 30 June 2016, 88,000 options (2015: Nil) granted under the Scheme were lapsed because the eligible participant gave up the relevant share options.

At 30 June 2016, the total number of shares available for issue under the New Scheme was 17,414,000 (2015: 29,900,000) shares, representing 2.52% (2015: 0.65%) of the number of ordinary shares of the Company in issue as at 30 June 2016. During the year ended 30 June 2016, 164,000,000 (2015: Nil) options were granted under the New Scheme to eligible participants. In addition, 23,000,000 (2015: 23,000,000) options granted under the New Scheme were lapsed during the year ended 30 June 2016 because the eligible participant left the Group.

At 30 June 2016, the options under the New Scheme have exercise prices of HK$0.610 and HK$3.307 (2015: HK$0.728 for the Scheme and HK$0.337 for the New Scheme before any adjustments upon completion on share consolidation in May 2016 and open offer in June 2016), respectively. At 30 June 2016, the weighted average remaining contractual life of the options was 9.42 years (2015: 2.14 years).

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2016 and 2015 are as follows:

Participants	Share option type	At 1 Jul 2015 '000	Granted during the year '000	Adjusted upon completion of share consolidation '000	Adjusted upon completion of open offer '000	Lapsed during the year '000	At 30 June 2016 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options	Adjusted fair value at grant date	Adjusted closing price of the Company's shares immediately before the grant date
		Number of share options outstanding and exercisable										
	(note ii)		(note ii)	(note iv)	(note iv)			(note iii)		(note iv)	(note iv)	(note iv)
Directors												
Mr. Danny Xuda Huang	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.610	0.320	0.61
Mr. Chan Shiu Kwong, Stephen	2007A	88	–	–	–	(88)	–	26/02/2007	26/02/2007 to 25/02/2017	N/A	N/A	N/A
	2008A	2,300	–	(2,070)	4	–	234	29/10/2007	29/10/2007 to 28/10/2017	3.307	1.270	3.19
	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.610	0.320	0.61
Mr. Nicholas J. Niglio	2008A	2,300	–	(2,070)	4	–	234	29/10/2007	29/10/2007 to 28/10/2017	3.307	1.270	3.19
	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.610	0.320	0.61
Mr. Lin Chuen Chow, Andy	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.610	0.320	3.19
Consultants and employees												
In aggregate	2008A	25,300	–	(2,070)	4	(23,000)	234	29/10/2007	29/10/2007 to 28/10/2017	3.307	1.270	3.19
		29,988	164,000	(153,810)	324	(23,088)	17,414					
Weighted average exercise price (HK$)		0.388	0.062	0.733	0.733	(0.339)	0.719					
Outstanding and exercisable							17,414					

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2016 and 2015 are as follows: (Continued)

Participants	Share option type (note ii)	Number of share options outstanding and exercisable: At 1 July 2014 '000	Lapsed during the year '000	At 30 June 2015 '000	Date of grant of share options (note iii)	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. Chan Shiu Kwong, Stephen	2007A	88	–	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	–	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Nicholas J. Niglio	2008A	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)	–	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Consultants and employees									
In aggregate	2008A	25,300	–	25,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
		52,988	(23,000)	29,988					
Weighted average exercise price (HK$)		0.338	0.337	0.338					
Outstanding and exercisable				29,988					

Notes:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme, the New 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 relevant share option 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, the New 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) Share option types of 2007A, 2008A and 2016A represent share options granted during the years ended 30 June 2007, 2008 and 2016, respectively. During the year ended 30 June 2016, 164,000,000 (2015: Nil) of share options were granted under the New Scheme and no share options (2015: Nil) were exercised.

(iii) The vesting period of the share options is from the grant date until the commencement of the exercise period.

(iv) The number of shares entitled to be subscribed for, the exercise prices under the outstanding share options, the fair value per share options and the closing price of the Company's shares immediately before the grant date have been adjusted upon completions of share consolidation in May 2016 and the open offer in June 2016. Details of which may refer to the announcement of the Company dated 20 May 2016 and 24 June 2016.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Fair value of share options

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted with reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The key parameters adopted are summarised as follows:

	2016	2015
Grant date	**1 April 2016**	–
Fair value at measurement date	**HK$5,252,000**	–
Share price at grant date (note)	**HK$0.062**	–
Subscription price	**HK$0.0622**	–
Expected volatility	**75.43%**	–
Option life	**10 years**	–
Risk-free rate	**1.247%**	–

Note: The share price at grant date was not adjusted for the effects of the share consolidation and the open offer which were completed in May 2016 and June 2016, respectively.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

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.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent the call options of the Group in the 50% interests in Base Move, 80% interests in Essence Gold and 95% interests in Superiority Wealthy. The fair value of the call options were approximately HK$Nil (2015: HK$67,000) as at 30 June 2016, by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. The movements during the years ended 30 June 2016 and 2015 are as follows:

	HK$'000
At 1 July 2014	33,203
Fair value changes included in profit or loss (Note 8)	(33,136)
At 30 June 2015 and 1 July 2015	67
Fair value changes included in profit or loss (Note 8)	(67)
At 30 June 2016	–

30. DISPOSAL OF A SUBSIDIARY

On 22 January 2015, the Company entered into an agreement with an independent third party to dispose of its 100% equity interest in Source Investments Limited ("Source Investments") at a cash consideration of HK$6,000. Source Investments was principally engaged in securities trading in Hong Kong.

On the date of disposal, the asset and liabilities of Source Investments comprised approximately HK$6,000 of securities held for trading, HK$207,000 of other payables and HK$99,000 of income tax payable. Source Investments was in net liabilities position of approximately HK$300,000 and a gain on disposal of a subsidiary of HK$306,000 was recognised in the profit or loss. In addition, there was a cash inflow on disposal amounted to approximately HK$6,000 which was solely arising from the consideration received on the disposal.

During the period from 1 July 2014 to the date of completion of the disposal, Source Investments did not have any significant contribution to the Group's revenue, results and cash flows.

Notes to the Financial Statements

For the year ended 30 June 2016

31. COMMITMENTS

The Group as lessee

At 30 June 2016 and 2015, the total future minimum lease payments under non-cancellable operating leases in respect of the properties are payable as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 year	**445**	419

The Group as lessor

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 year	**1,325**	1,680
After 1 year but within 5 years	**–**	1,325
	1,325	3,005

The Group leases out investment property under an operating lease. The lease typically runs for an initial period of 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the lease includes contingent rentals.

32. CONTINGENT LIABILITIES

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 HK$1,592,000 has been made in the financial statements as at 30 June 2004. During the years ended 30 June 2016 and 2015, there has been no significant progress.

33. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, during the year, the Group had entered into transactions with related parties as shown below:

Transactions with key management personnel remuneration

The remuneration of key management personnel during the year is as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other short-term benefits	**2,170**	2,126
Share-based payment	**5,252**	–
Post-employment benefits	**54**	54
	7,476	2,180

34. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2016		2015	
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment		**403**		643
Investment property		**60,000**		59,200
Interests in subsidiaries		**1,237,252**		1,501,851
		1,297,655		1,561,694
Current assets				
Other receivables	**533**		360	
Cash and cash equivalents	**145,142**		57,784	
	145,675		58,144	
Less: Current liabilities				
Other payables	**10,026**		9,477	
Bank borrowing, secured	**16,448**		18,817	
Amounts due to subsidiaries	**440,949**		440,976	
	467,423		469,270	
Net current liabilities		**(321,748)**		(411,126)
Net assets		**975,907**		1,150,568
Capital and reserves				
Share capital		**1,171,921**		1,077,853
Other reserves		**(196,014)**		72,715
Total equity		**975,907**		1,150,568

Approved and authorised for issue by the board of directors on 19 December 2016 and are signed on its behalf by:

Nicholas J. Niglio
Director

Chan Shiu Kwong, Stephen
Director

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2016:

(i) Settlement of trade receivables

Up to the date of approval of these consolidated financial statements, the customers settled trade receivables amounting to HK$373,456,000.

(ii) Settlement plan and collaterals from customers

The Group entered into various agreements with trade debtors pursuant to which (i) the trade debtors agreed to settle the overdue trade receivables of HK$517,470,000 by monthly installments commencing from October 2016; (ii) the trade debtors and owners of the trade debtors charged all the undertaking, property, assets and rights of the gaming promoters to the Group; and (iii) the owners of the trade debtors guaranteed the full repayments of the outstanding amounts by the trade debtors.

In addition, the trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade receivables. The market value of these properties as at 31 October 2016 were amounted to HK$151,728,000.

(iii) Personal guarantee provided by an independent third party

Up to the date of approval of these consolidated financial statements, an independent third party provided a personal guarantee on the short-term loans of the Group amounting to HK$92,147,000.

36. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2016 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transaction"	1 January 2018

36. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2016 (Continued)

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	A date to be determined
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment Entities: Applying the Consolidation Exception"	1 January 2016
Amendments to HKFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016
Amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"	1 January 2018
Amendments to HKAS 1 "Disclosure Initiative"	1 January 2016
Amendments to HKAS 7 "Disclosure Initiative"	1 January 2017
Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"	1 January 2017
Amendments to HKAS 16 and HKAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016
Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer Plants"	1 January 2016
Amendments to HKAS 27 "Equity Method in Separate Financial Statements"	1 January 2016
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. It is not practicable to provide a reasonable estimate of the impact of these amendments and new standards until the Group performs a detailed review.

Particulars of Principal Subsidiaries

For the year ended 30 June 2016

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

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/ registered capital	Proportion of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
Base Move (note (i))	The British Virgin Islands/Macau	100 ordinary shares of US$1 each	–	30	Receive profit streams from gaming and entertainment related business
Essence Gold (note (ii))	The British Virgin Islands/Macau	100 ordinary shares of US$1 each	–	20	Receive profit streams from gaming and entertainment related business
Essence Gold Investment (Macau) Limited (note (iii))	Macau/Macau	25,000 ordinary shares of MOP$1 each	–	20	Receiving trade debt from Group's customer and remitting cash to Group's entities
Profit Forest Limited	The British Virgin Islands/Macau	100 ordinary shares of US$1 each	–	85	Receive profit streams from gaming and entertainment related business
Profit Forest (Macau) Limited	Macau/Macau	25,000 ordinary shares of MOP$1 each	–	85	Receiving trade debts from the Group customers and remitting cash to the Group's entities
Sky Advantage Limited	The British Virgin Islands/Macau	100 ordinary shares of US$1 each	–	85	Inactive
Top Vast Finance Limited	Hong Kong/ Hong Kong	1 ordinary share	–	100	Money lending

Particulars of Principal Subsidiaries

For the year ended 30 June 2016

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

Notes:

(i) The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group 80% (2015: 80%) voting power over Base Move. Based on the directors' assessment, the currently exercisable purchased call option provided the Group with the potential voting rights over Base Move which in turn provided the Group with the power to control Base Move. In addition, the Group exercised control over the board of directors of Base Move. In preparing the Group's consolidated financial statements for the years ended 30 June 2016 and 2015, Base Move was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Company held 30% (2015: 30%) equity interests in Base Move, 70% (2015: 70%) of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

(ii) The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group 100% (2015: 100%) voting power over Essence Gold. Based on the director's assessment, the currently exercisable purchased call option provided the Group with the potential voting right over Essence Gold which in turn provided the Group with the power to control Essence Gold. In addition, the Group exercised control over the board of directors of Essence Gold. In preparing the Group's consolidated financial statements for the years ended 30 June 2016 and 2015, Essence Gold was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Company held 20% (2015: 20%) equity interest in Essence Gold, 80% (2015: 80%) of the post-acquisition results and net assets of Essence Gold were allocated to non-controlling interest.

(iii) Essence Gold Investment (Macau) Limited is a wholly owned subsidiary of Essence Gold.

Particular of a Structured Entity

For the year ended 30 June 2016

As at 30 June 2016, there was one structured entity controlled by the Group, which operates in Macau, particulars of which are as follows:

Name of structured entity	Principal activities
Base Move Investment (Macau) Ltd (“Base Move (Macau)”)	Receiving trade debts from the Group’s customers and remitting cash to the Group’s entities

The Group controls a structured entity, Base Move (Macau), which is set up solely for receiving trade debts from the Group’s customers and remitting cash to the Group’s entities. As the Group has the power to direct the relevant activities of the Base Move (Macau) and the Group has the ability to use its power over Base Move (Macau) to affect its exposure to returns, the assets, liabilities and the profit or loss of Base Move (Macau) are included in the Group’s consolidated statement of financial position in accordance to HKFRS 10 “Consolidated Financial Statements”.

At 30 June 2016 and 2015, assets in this structured entity mainly consisted of bank balances.