眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8156)

ANNUAL RESULTS 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

The Board of Directors (the "Board") of China Vanguard Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2010, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000* (Restated)
Continuing operations			
Revenue	*4*	**97,510**	66,787
Cost of sales		**(34,261)**	(22,227)
Gross profit		**63,249**	44,560
Other revenue	*4*	**13,834**	8,488
Selling and distribution costs		**(9,896)**	(8,095)
Administrative expenses		**(92,744)**	(70,633)
Impairment loss on goodwill		**(956,159)**	–
(Loss) gain on changes in fair value of derivative financial instruments		**(37,150)**	25,629
Finance costs	*5*	**(11,181)**	(23,674)
Loss before taxation	*6*	**(1,030,047)**	(23,725)
Income tax expenses	*7*	**(2,280)**	(1,149)
Loss for the year from continuing operations		**(1,032,327)**	(24,874)
Discontinued operations			
Profit (loss) for the year from discontinued operations	*9*	**24,042**	(70,392)
Loss for the year		**(1,008,285)**	(95,266)
Attributable to:			
Equity holders of the Company		**(1,047,777)**	(100,643)
Non-controlling interests		**39,492**	5,377
		(1,008,285)	(95,266)

	Notes	**2010** *HK$'000*	2009 *HK$'000* (Restated)
Loss per share			
From continuing operations and discontinued operations			
Basic	*10*	**(HK32.62 cents)**	(HK3.12 cents)
From continuing operations			
Basic	*10*	**(HK33.37 cents)**	(HK0.94 cents)
Loss for the year		**(1,008,285)**	(95,266)
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas operations		**3,673**	(835)
Total comprehensive loss for the year		**(1,004,612)**	(96,101)
Attributable to:			
Equity holders of the Company		**(1,045,000)**	(101,434)
Non-controlling interests		**40,388**	5,333
Total comprehensive loss for the year		**(1,004,612)**	(96,101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**42,472**	54,670
Goodwill		**1,154,768**	2,215,971
Other intangible assets		**11,381**	8,677
Available-for-sales financial asset		**63,780**	63,780
		1,272,401	2,343,098
Current assets			
Inventories	*13*	**3,897**	2,423
Trade and other receivables and prepayments	*14*	**24,337**	56,040
Tax recoverable		**50**	–
Pledged bank deposits		**5,128**	5,110
Bank balances and cash		**96,456**	231,195
		129,868	294,768
Assets classified as held for sale	*15*	**1,079,773**	350,193
		1,209,641	644,961
Current liabilities			
Trade payables, accrued liabilities and other payable	*16*	**29,707**	58,081
Tax liabilities		**539**	1,163
Derivative financial instruments		**17,722**	75,232
Bank and other borrowings	*17*	**20,351**	36,145
		68,319	170,621
Liabilities associated with assets classified as held for sale	*15*	**375,041**	123,825
		443,360	294,446
Net current assets		**766,281**	350,515
Total assets less current liabilities		**2,038,682**	2,693,613

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Non-current liabilities			
Convertible bonds	*18(b)*	**63,089**	522,739
Net assets		**1,975,593**	2,170,874
Capital and reserves			
Share capital		**32,119**	32,119
Reserves		**1,474,454**	2,102,684
Equity attributable to equity holders of the Company		**1,506,573**	2,134,803
Non-controlling interests		**469,020**	36,071
Total equity		**1,975,593**	2,170,874

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Attributable to equity holders of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000	Employee share-based compensation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Special reverse HK$'000	Capital reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Discontinued operations HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2008	32,353	2,166,728	–	10,712	35,572	11,282	35,095	(1)	–	(44,116)	–	2,247,625	20,686	2,268,311
Transfer to discontinued operations	–	–	–	–	–	–	(19,990)	–	–	–	19,990	–	–	–
Capital contribution from minority shareholder	–	–	–	–	–	–	–	–	–	–	–	–	10,052	10,052
Shares issued on exercise of warrants	–	22	–	–	–	–	–	–	–	–	–	22	–	22
Repurchase of shares	(234)	(11,176)	234	–	–	–	–	–	–	(234)	–	(11,410)	–	(11,410)
Total comprehensive income for the year	–	–	–	–	–	–	(791)	–	–	(100,643)	–	(101,434)	5,333	(96,101)
At 30 June 2009 and at 1 July 2009	32,119	2,155,574	234	10,712	35,572	11,282	14,314	(1)	–	(144,993)	19,990	2,134,803	36,071	2,170,874
Redemption of convertible bonds reserve	–	–	–	(10,712)	–	–	–	–	–	10,712	–	–	–	–
Lapse of share options	–	–	–	–	–	(190)	–	–	–	190	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	2,042	2,042
Issue of convertible bonds	–	–	–	440,085	–	–	–	–	–	–	–	440,085	–	440,085
Exercise of convertible bonds issued by a subsidiary	–	–	–	(170,202)	–	–	–	–	–	–	–	(170,202)	–	(170,202)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	409,594	409,594
Disposal of jointly controlled entities	–	–	–	–	–	–	–	–	–	–	(19,990)	(19,990)	–	(19,990)
Dilution of interest in a subsidiary	–	–	–	–	–	–	–	–	166,877	–	–	166,877	(19,075)	147,802
Transfer to discontinued operations	–	–	–	(269,883)	–	–	(4,430)	–	(166,877)	–	441,190	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	2,777	–	–	(1,047,777)	–	(1,045,000)	40,388	(1,004,612)
At 30 June 2010	32,119	2,155,574	234	–	35,572	11,092	12,661	(1)	–	(1,181,868)	441,190	1,506,573	469,020	1,975,593

Note:

(i) The convertible bonds reserve represents the implied fair value of the conversion rights.

(ii) The Employee share-based compensation reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees and participants.

(iii) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(iv) The translation reserve comprises:

(a) the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.

(b) the exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.

(v) Capital reserve represents gain on dilution of interests in a subsidiary. Details is summarised as follows:

Summary of diluted interest of a subsidiary

During the year ended 30 June 2010, the Company's equity interest in Aptus Holdings Limited ("Aptus") has been changed. According to HKAS 27 "Consolidated and separate financial statements", gain or loss arising on partial or deemed disposal of part of its interest to non-controlling interests without loss of control is recorded as equity transactions.

Details of change in the Company's equity's interest in Aptus

	Exercise of share options	Placing of shares	Loan capitalization	Placing of shares	Disposal of shares	Placing of shares	Conversion of convertible bonds to shares	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of consideration received	–	–	–	77,137	2,911	67,754	–	147,802
Amount recognized as non-controlling interests	863	17,899	16,023	(13,465)	(536)	(14,337)	12,628	19,075
Positive (negative) movement in parent equity	863	17,899	16,023	63,672	2,375	53,417	12,628	166,877
Decrease in equity interest	0.57%	4.50%	2.96%	12.60%	0.54%	13.57%	7.95%	42.69%
	Note a	*Note b*	*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	

Analysed for:	*HK$'000*
Deemed disposal of equity interest in a subsidiary	47,413
Partial disposal of equity interest in a subsidiary	119,464
	166,877

Note:

a. Being exercise of 18,670,000 share options in Aptus

b. Being placing of 160,000,000 shares in Aptus on 2 November 2009

c. Loan capitalization by subscription of 122,160,000 shares in Aptus on 1 December 2009

d. Being placing of 120,000,000 and 140,000,000 shares in Aptus on 16 December 2009 and 25 February 2010 at a consideration of HK$0.25 and HK$0.28 per share respectively.

e. Being disposal of 2,500,000, 1,000,000, 2,400,000, 3,150,000 and 2,100,000 shares in Aptus on 30&31 March 2010, 1 April 2010, 7 April 2010, 8 April 2010 and 9 April 2010 respectively.

f. Being placing of 280,000,000 shares in Aptus on 13 April 2010 at HK$0.28 per share respectively.

g. Being conversion of HK$330,000,000 convertible bonds into 1,320,000,000 shares in Aptus for a period from 31 May 2010 to 23 June 2010 at a conversion price of HK$0.25 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company's subsidiaries and jointly controlled entities is Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group's chief operating decision maker (see note 3 for details). HKFRS 8 replaces HKAS 14 Segment Reporting which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has not resulted in a redesignation of the Group's operating segments.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 8 (Amendment)	Disclosure of information about segment assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Amendments that are effective for annual periods beginning on or after 1 January 2010
[2] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2010
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with early application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's segments as compared with the primary segments determined in accordance with HKAS 14. The factors that used to identify the Group's operating segments, including the basis of organization are mainly based on the types of products sold and services provided by the Group's operating divisions as follows:

Continuing operations

(a) distribution of natural supplementary products
(b) provision of lottery-related hardware and software systems
(c) provision of Karaoke CMS services and licence fee collection business
(d) Others included catering services and sales of animal feeds

Discontinued operations

(a) Gas related
(b) Profit sharing right on oil field
(c) Trading of edible oil and mineral materials
(d) Boxes for storage of deceased cremated ashes and other ancestral properties
(e) Paper-offering business

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

(a) Segment revenue and results

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

2010

	Continuing operations					Discontinued operations						
	Karaoke CMS	Provision of lottery-related hardware and software system	Distribution of natural supple-mentary products	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of decreased cremated ashes and other ancestral properties	Paper-offering business	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	41,415	52,777	504	2,814	97,510	18,323	–	3,780	–	–	22,103	119,613
Segment results	(960,232)	24,911	(1,468)	(2,858)	(939,647)	(95,174)	–	(8,931)	(5,917)	(45)	(110,067)	(1,049,714)
Unallocated income					10,553						1,207	11,760
Unallocated expenses					(89,772)						(32,106)	(121,878)
Finance costs					(11,181)						(25,984)	(37,165)
Gain on disposal of jointly controlled entities					–	197,707					197,707	197,707
Gain on termination of profit sharing arrangement					–		11,031				11,031	11,031
Loss before taxation					(1,030,047)						41,788	(988,259)
Income tax expenses					(2,280)						(17,746)	(20,026)
Loss for the year					(1,032,327)						24,042	(1,008,285)

2009
(Restated)

	Continuing operations					Discontinued operations						
	Karaoke CMS	Provision of lottery-related hardware and software system	Distribution of natural supple-mentary products	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of decreased cremated ashes and other ancestral properties	Paper-offering business	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue :												
Sales to external customers	22,889	42,843	793	262	66,787	106,803	–	18,292	–	–	125,095	191,882
Segment results	(8,205)	15,933	(1,030)	(890)	5,808	10,438	(412)	11	–	–	10,037	15,845
Unallocated income					3,699						9	3,708
Unallocated expenses					(10,731)						(36,632)	(47,363)
Finance costs					(23,674)						(42,438)	(66,112)
Share of results of an associate					–						124	124
Gain on disposal of a subsidiary held by a jointly controlled entity					1,158						–	1,158
Gain (loss) on disposal of an associate					15						(7)	8
Loss before taxation					(23,725)						(68,907)	(92,632)
Income tax expenses					(1,149)						(1,485)	(2,634)
Loss for the year					(24,874)						(70,392)	(95,266)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned or loss made by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, bank interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker that is the directors of the Company for the purposes of resource allocation and performance assessment.

(b) Segment assets

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

2010

	Continuing operations					Discontinued operations						
	Karaoke CMS	**Provision of lottery-related hardware and software system**	**Distribution of natural supple-mentary products**	**Others**	**Total**	**Gas related**	**Profit sharing on oil field**	**Trading of edible oil and mineral materials**	**Boxes for storage of decreased cremated ashes and other ancestral properties**	**Paper-offering business**	**Total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets												
Segment assets	**67,810**	**76,416**	**2,305**	**5,275**	**151,806**	**–**	**–**	**1,266**	**1,071,830**	**414**	**1,073,510**	**1,225,316**
Unallocated assets					**1,250,463**						**6,263**	**1,256,726**
Total assets					**1,402,269**						**1,079,773**	**2,482,042**
Liabilities												
Segment liabilities	**14,048**	**10,424**	**352**	**1,437**	**26,261**	**–**	**–**	**46**	**31,090**	**5**	**31,141**	**57,402**
Unallocated liabilities					**12,237**						**4,023**	**16,260**
Borrowings	**–**	**–**	**–**	**–**	**12,100**	**–**	**–**	**–**	**87,205**	**–**	**87,205**	**99,305**
Convertible bonds	**–**	**–**	**–**	**–**	**80,810**	**–**	**–**	**–**	**252,672**	**–**	**252,672**	**333,482**
					131,408						**375,041**	**506,449**

2009
(Restated)

	Continuing operations					Discontinued operations						
	Karaoke CMS	Provision of lottery-related hardware and software system	Distribution of natural supple-mentary products	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of decreased cremated ashes and other ancestral properties	Paper-offering business	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets												
Segment assets	71,252	87,482	7,581	4,481	170,796	350,193	33,927	1,341	–	–	385,461	556,257
Unallocated assets					2,430,039						1,763	2,431,802
Total assets					2,600,835						387,224	2,988,059
Liabilities												
Segment liabilities	14,873	28,421	386	592	44,272	123,825	–	122	–	–	123,947	168,219
Unallocated liabilities					4,233						46,762	50,995
Convertible bonds					294,727						303,244	597,971
					343,232						473,953	817,185

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

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

(c) Other segment information

2010

	Continuing operations					Discontinued operations					
	Karaoke CMS HK$'000	Provision of lottery-related hardware and software system HK$'000	Distribution of natural supple-mentary products HK$'000	Others HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Trading of edible oil and mineral materials HK$'000	Boxes for storage of decreased cremated ashes and other ancestral properties HK$'000	Paper-offering business HK$'000	Total HK$'000
Amount included in the measure of segment profit or loss or segment assets:											
Additions to property, plant and equipment	2,334	4,854	–	1,259	8,447	–	–	–	690	–	690
Properties under development	–	–	–	–	–	–	–	–	1,988	–	1,988
Gain (loss) on disposal of property, plant and equipment	(5)	3,213	–	–	3,208	–	–	–	–	–	–
Allowances for doubtful receivable	–	–	551	–	551	–	–	–	–	–	–
Impairment loss on goodwill	956,159	–	–	–	956,159	96,176	–	8,868	–	–	105,044
Depreciation and amortization	4,517	10,841	618	354	16,330	2,105	–	–	22	–	2,127

2009
(Restated)

	Continuing operations					Discontinued operations					
	Karaoke CMS	Provision of lottery-related hardware and software system	Distribution of natural supple-mentary products	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of decreased cremated ashes and other ancestral properties	Paper-offering business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount included in the measure of segment profit or loss or segment assets :											
Additions to property, plant and equipment	8,154	2,648	–	103	10,905	33,996	–	–	–	–	33,996
Depreciation and amortization	3,038	10,359	788	241	14,426	20,185	29	–	–	–	20,214
Loss on disposal of property, plant and equipment	29	–	302	–	331	3	–	–	–	–	3
Gain (loss) on disposal of associates	–	15	–	–	15	(7)	–	–	–	–	(7)
Gain on disposal of a subsidiary held by a jointly controlled entity	1,158	–	–	–	1,158	–	–	–	–	–	–
Provision for stock written-off	–	–	37	–	37	–	–	–	–	–	–
Allowances for doubtful receivable	–	–	697	–	697	–	–	–	–	–	–
Impairment loss on goodwill	–	–	–	–	–	31,761	–	–	–	–	31,761

(d) Geographical information

The Group's operations are mainly located in PRC and South East Asia. The following table provides an analysis of the Group's sales by geographical markets:

	Revenue from external customers Continuing operation		**Revenue from external customers Discontinued operation**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**97,006**	65,994	**18,323**	106,803	**115,329**	172,797
Hong Kong	**504**	793	**–**	–	**504**	793
South East Asia	**–**	–	**3,780**	18,292	**3,780**	18,292
	97,510	66,787	**22,103**	125,095	**119,613**	191,882

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

	Carrying amount of segment assets		**Additions to property, plant and equipment Capital expenditure**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**152,012**	552,886	**11,820**	44,901
Hong Kong	**2,328,764**	2,433,832	**2,784**	974
South East Asia	**1,266**	1,341	**–**	–
	2,482,042	2,988,059	**14,604**	45,875

Revenue from major products and services

The Group's revenue from continuing and discontinued operations from its products were as follows :

	2010	2009
	HK$'000	*HK$'000*
Distribution of natural supplementary products	**504**	793
Provision of lottery-related hardware and software systems	**52,777**	42,843
Karaoke CMS	**41,415**	22,889
Trading of edible oil and mineral materials	**3,780**	18,292
Gas related	**18,323**	106,803
Others (included catering services and sales of animal feeds)	**2,814**	262
	119,613	191,882

4. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) trading of edible oil and mineral materials, (iv) holding profit sharing right on oil field, (v) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connected and (vi) provision of Karaoke CMS services and licence fee collection business and (vii) Boxes for storage of deceased cremated ashes and paper offering business and (viii) Catering services.

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

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Distribution of natural supplementary products	**504**	793	**–**	–	**504**	793
Provision of lottery-related hardware and software systems	**52,777**	42,843	**–**	–	**52,777**	42,843
Trading of edible oil and mineral materials	**–**	–	**3,780**	18,292	**3,780**	18,292
Gas related	**–**	–	**18,323**	106,803	**18,323**	106,803
Provision of Karaoke CMS services and licence fee collection business	**41,415**	22,889	**–**	–	**41,415**	22,889
Sales of goods	**153**	262	**–**	–	**153**	262
Catering services	**2,661**	–	**–**	–	**2,661**	–
	97,510	66,787	**22,103**	125,095	**119,613**	191,882

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other revenue						
Interest income	**587**	3,414	**525**	611	**1,112**	4,025
Investment income	**275**	–	**–**	–	**275**	–
Others	**12,972**	5,074	**705**	592	**13,677**	5,666
	13,834	8,488	**1,230**	1,203	**15,064**	9,691

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
– borrowings wholly repayable within five years	**1,542**	952	**1,134**	2,214	**2,676**	3,166
– borrowings wholly repayable after five years	**–**	–	**1,015**	5,454	**1,015**	5,454
– convertible bonds	**9,639**	22,722	**22,923**	34,770	**32,562**	57,492
– unsecured promissory note	**–**	–	**912**	–	**912**	–
	11,181	23,674	**25,984**	42,438	**37,165**	66,112

6. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation has been arrived at after charging:						
Staff costs (excluding Directors' emoluments):						
– Wages and salaries	**23,878**	17,951	**3,915**	8,558	**27,793**	26,509
– Retirement benefits scheme contributions	**376**	868	**42**	33	**418**	901
Total staff costs	**24,254**	18,819	**3,957**	8,591	**28,211**	27,410
Cost of inventories sold *(Note a)*	**34,261**	22,227	**19,348**	98,975	**53,609**	121,202
Auditors' remuneration						
– Provide for the year	**1,994**	1,081	**2,741**	520	**4,735**	1,601
– (Over) underprovision in prior year	**(37)**	182	**(24)**	86	**(61)**	268
Depreciation of property, plant and equipment *(Note b)*	**15,817**	14,578	**2,083**	19,765	**17,900**	34,343
Amortization of prepaid lease payments	**–**	–	**64**	466	**64**	466
Impairment loss on goodwill	**956,159**	–	**105,044**	31,761	**1,061,203**	31,761
Minimum lease payments under operating leases:						
– Land and buildings	**6,085**	4,368	**246**	410	**6,331**	4,778
(Gain) loss on disposal of property, plant and equipment	**(3,208)**	331	**–**	3	**(3,208)**	334
Allowances for doubtful receivable	**551**	697	**–**	–	**551**	697
(Gain) loss on disposal of associates	**–**	(15)	**–**	7	**–**	(8)
Amortisation of other intangible assets	**765**	1,326	**–**	–	**765**	1,326
Provision for obsolete inventories	**–**	37	**–**	–	**–**	37
(Gain) loss on changes in fair value of derivative financial instruments *(Note c)*	**37,150**	(25,629)	**–**	–	**37,150**	(25,629)
Bad debts written off	**198**	1,623	**–**	–	**198**	1,623
Inventories written off	**7**	191	**–**	–	**7**	191
Gain on disposal of a subsidiary held by a joint controlled entity	**–**	(1,158)	**–**	–	**–**	(1,158)
Exchange (gains) losses, net	**(51)**	238	**33**	(63)	**(18)**	175

Note a: For the year ended 30 June 2010, cost of inventories included approximately of HK$1,931,000 (2009: HK$16,499,000) relating to depreciation expenses.

Note b: Included in the depreciation of approximately HK$17,900,000 (2009: HK$34,343,000) was an amount of approximately HK$1,931,000 (2009: HK$16,499,000) capitalized in cost of inventories sold during the year. The amount of approximately HK$1,931,000 (2009: HK$16,499,000) was included in cost of inventories sold of approximately HK$53,609,000 (2009: HK$121,202,000).

Note c: Arising from convertible bonds, please refer to note 18.

7. INCOME TAX EXPENSES

The amount of tax charged (credited) to the consolidated statement of comprehensive income represents:

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
Current year						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**2,233**	1,970	**17,746**	1,485	**19,979**	3,455
	2,233	1,970	**17,746**	1,485	**19,979**	3,455
Under (over) provision in prior years						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**47**	(821)	**–**	–	**47**	(821)
	47	(821)	**–**	–	**47**	(821)
Income tax expenses charged for the year	**2,280**	1,149	**17,746**	1,485	**20,026**	2,634

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit derived in Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit making year of operation and thereafter, these PRC entities will be entitled to a 50% relief from PRC for the following three years ("Tax Preference").

Entities that originally enjoy the Tax Preference can continue enjoying the Tax Preference based on the original tax rate until after the expiration of the Tax Preference. Entities that did not start Tax Preference before 2008 because they were still in loss position shall start the Tax Preference from 2008.

The amount of income tax expenses charged to the consolidated statement of comprehensive income reconciled to the loss per consolidated statement of comprehensive income is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Profit (Loss) before taxation:		
Continuing operations	**(1,030,047)**	(23,725)
Discontinued operations	**41,788**	(68,907)
	(988,259)	(92,632)
Tax at the Hong Kong Profits Tax rate	**(163,062)**	(15,284)
Tax effect of expenses that are not deductible for tax purposes	**170,601**	9,747
Tax effect of income that is not taxable for tax purposes	**(18,585)**	(7,613)
Tax effect of tax losses not recognized	**14,125**	20,960
Tax effect of utilization of tax losses previously not recognized	**(877)**	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**17,777**	(4,071)
Tax effect of under (over) provision in prior years	**47**	(821)
Income tax expenses	**20,026**	2,634

Note: The applicable tax rate for Hong Kong is 16.5% (2009: 16.5%) and applicable tax rate in the PRC is 20-25% (2009: 18-25%).

At the end of the reporting period, the Group has unused tax losses of approximately HK$96,181,000 (2009: HK$66,399,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profits streams. Deductible temporary differences have not been recognized in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unused estimated tax losses are losses of approximately HK$25,114,000 (2009: HK$19,270,000) that will expire within 2 to 4 years from the year origination. Other losses may be carried forward indefinitely.

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

	2010	2009
	HK$'000	*HK$'000*
Deductible temporary differences:		
Unutilized tax losses	**96,181**	66,399
Other	**17,718**	8,121
Accelerated tax allowances	**156**	259
Taxable temporary differences:		
Accelerated tax allowances	**–**	–
	114,055	74,779

8. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2010, nor has any dividend been proposed since the end of reporting date (2009: Nil).

9. DISCONTINUED OPERATIONS

On 24 April 2009, the Group entered into agreements relating to the termination of the Profit Sharing Rights for returning of monies provided to China Huayou Group Corporation and compensatory interest for an amount of approximately RMB39,856,000 (approximately HK$45,226,000) and the disposals by Aptus of the equity interest in Changde Joint Venture and Hunan Joint Venture for the consideration of RMB255,000,000 (approximately HK$289,350,000) and approximately RMB100,144,000 (approximately HK$113,634,000) respectively. Changde Joint Venture and Hunan Joint Venture together refer as a Disposal Group.

By an announcement of the Company issued on 17 September 2010, the Directors of the Company has intention to dispose remaining equity interest of Aptus Holdings Limited ("Aptus") and Aptus will ceased to be an indirect non-wholly owned subsidiary of the Company. In this regard, Aptus is considered to be a disposal group.

Details of the assets and liabilities disposed of are disclosed in note 15.

The combined results and cash flows of the discontinued operations (i.e.: the oilfield sharing right, the distribution of natural gas business and Aptus' business) included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below:

	2010	2009
	Total	Total
	HK$'000	*HK$'000*
		(Restated)
Profit (loss) for the year from discontinued operations		
Revenue	**23,333**	126,235
Expenses	**(85,239)**	(163,381)
Impairment on goodwill	**(87,298)**	(31,761)
Gain on disposal of jointly controlled entities	**180,888**	–
Gain on termination of profit sharing right on oil field	**10,104**	–
Profit (loss) before taxation	**41,788**	(68,907)
Income tax expenses	**(17,746)**	(1,485)
Profit (loss) for the year from discontinued operations	**24,042**	(70,392)
Cash flows from discontinued operations		
Net cash (outflows) inflows from operating activities	**(58,503)**	17,442
Net cash inflows (outflows) from investing activities	**322,043**	(27,681)
Net cash (outflows) inflows from financing activities	**(296,668)**	10,658
Net cash (outflows) inflows	**(33,128)**	419

10. LOSS PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to the equity holders of the Company	**(1,047,777)**	(100,643)

Number of shares

	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,211,894**	3,220,582

From continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attribute to equity holders of the Company	**(1,047,777)**	(100,643)
Less: Profit (loss) for the year attributable to equity holder of the Company from discontinued operations	**24,042**	(70,392)
Loss for the purpose of basic loss per share from continuing operations	**(1,071,819)**	(30,251)

From discontinued operations

Earnings (loss) per share from discontinued operations is HK0.75 cents per share (2009: loss per share HK2.18 cents per share), based on the profit for the year from the discontinued operations of approximately HK$24,042,000 (2009: loss of approximately HK$70,392,000) and the denominators detailed above for basic loss per share.

No diluted loss per share has been presented in both years, as outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Gas distribution network *HK$'000*	Gas storage equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
COST									
At 1 July 2008	22,609	196,817	10,937	26,176	47,172	2,360	9,213	4,642	319,926
Additions	–	6,133	3	7,878	1,798	–	2,906	142	18,860
Transfer from construction in progress	640	20,592	–	5,783	–	–	–	–	27,015
Disposal	–	–	–	(131)	–	–	(1,197)	–	(1,328)
Disposal of a subsidiary held by a jointly controlled entity	–	–	–	(852)	–	–	–	–	(852)
Exchange realignment	(43)	(370)	(21)	(82)	(88)	(1)	(13)	(8)	(626)
Reclassified as held for sale	(14,890)	(223,172)	(10,919)	(21,643)	–	–	(3,998)	–	(274,622)
At 30 June 2009 and 1 July 2009	8,316	–	–	17,129	48,882	2,359	6,911	4,776	88,373
Additions	–	–	–	4,167	2,245	1,252	1,396	183	9,243
Acquisition of a subsidiary	–	–	–	3	–	–	–	72	75
Disposal	(7,119)	–	–	(190)	–	–	–	–	(7,309)
Exchange realignment	100	–	–	203	587	10	57	53	1,010
Reclassified as held for sale	–	–	–	(85)	–	(62)	(540)	(344)	(1,031)
At 30 June 2010	**1,297**	**–**	**–**	**21,227**	**51,714**	**3,559**	**7,824**	**4,740**	**90,361**
DEPRECIATION									
At 1 July 2008	1,739	19,103	1,486	2,710	12,643	1,025	2,236	2,116	43,058
Charged for the year	1,039	16,147	776	4,789	8,327	637	1,690	938	34,343
Eliminated on disposals	–	–	–	(63)	–	–	(645)	–	(708)
Eliminated on disposal of a subsidiary held by a jointly controlled entity	–	–	–	(51)	–	–	–	–	(51)
Exchange realignment	(6)	(62)	(4)	(16)	(36)	(1)	(6)	(5)	(136)
Reclassified as held for sale	(1,128)	(35,188)	(2,258)	(3,127)	–	–	(1,102)	–	(42,803)
At 30 June 2009 and 1 July 2009	1,644	–	–	4,242	20,934	1,661	2,173	3,049	33,703
Charged for the year	273	–	–	3,805	8,694	703	1,434	950	15,859
Eliminated on disposals	(1,790)	–	–	(135)	–	–	–	–	(1,925)
Exchange realignment	23	–	–	82	333	10	23	43	514
Reclassified as held for sale	–	–	–	(49)	–	(4)	(14)	(195)	(262)
At 30 June 2010	**150**	**–**	**–**	**7,945**	**29,961**	**2,370**	**3,616**	**3,847**	**47,889**
NET BOOK VALUES									
At 30 June 2010	**1,147**	**–**	**–**	**13,282**	**21,753**	**1,189**	**4,208**	**893**	**42,472**
At 30 June 2009	6,672	–	–	12,887	27,948	698	4,738	1,727	54,670

The leasehold land and buildings of the subsidiary is located in the PRC and held under medium lease term.

Depreciation provided for the year within the Group after reclassified as held for sale included HK$Nil (2009: HK$29,000) from discontinued operations expenses.

At 30 June 2010, none of the Group's property, plant and equipment was held under finance lease (2009: HK$Nil).

12. INTEREST IN ASSOCIATES

	2010	2009
	HK$'000	*HK$'000*
Cost of unlisted investment	**–**	2,127
Share of post-acquisition profits	**–**	124
Disposal	**–**	(2,251)
At 30 June	**–**	–

The Group had interest in the following associate:

Name of entity	**Form of business structure**	**Place of registration/ incorporation**	**Principal place of operation**	**Class of capital**	**Proportion of nominal value of registered/ Issued capital held by the Group 2010 %**	**2009 %**	**Principal activities**
Shenzhen Bozone Technology Services Co. Ltd. 深圳市博眾技術服務有限公司 *(Note a)*	Limited liability Company	PRC	PRC	Registered	**–**	–	Provision of lottery-related Hardware and software systems
Linli Huayou Gas Co., Limited 臨澧華油燃氣有限公司 *(Note b)*	Limited liability company	PRC	PRC	Registered	**–**	–	Distribution of natural gas

Note a: Shenzhen Bozone Technology Services Co. Ltd. ("Bozone Technology") was deregistrated in year 2009.

Note b: For the year ended 30 June 2008, Linli Huayou Gas Co., Limited ("Linli") is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited ("Changde Joint Venture"), which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Joint Venture was decreased to 48.61% and Linli became an associate of the Group. Changde Joint Venture disposed its equity interest in Linli in November 2008.

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

	2010 **HK$'000**	From 1 July 2008 to date of disposal HK$'000
Total assets	–	10,115
Total liabilities	–	(979)
Net assets	–	9,136
The Group's share of an associate's net assets	–	2,291
Revenue	–	1,719
Profit for the year	–	526
The Group's share of result of an associate	–	124

In November 2008, Changde Joint Venture disposed of its equity interest in Linli, at a consideration of RMB4,145,000. Loss on disposal of an associate of approximately HK$7,000 was shared by the Group. Up to the date of disposal of Linli, the Group shared Linli's profit of approximately HK$124,000 during the year ended 30 June 2009. Gain on disposal of Bozone Technology of approximately HK$15,000 was recorded by the Group in year 2009.

13. INVENTORIES

	2010 ***HK$'000***	2009 *HK$'000*
Raw materials and consumables	**3,018**	486
Finished goods	**879**	1,937
At 30 June	**3,897**	2,423

All inventories are stated at cost.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**13,432**	9,860
Other receivables and prepayments	**17,023**	51,697
	30,455	61,557
Less: Allowances for doubtful receivable	**(6,118)**	(5,517)
At 30 June	**24,337**	56,040

Payment terms with customers are mainly on credit. Invoices are normally payable within 180 days of issuance. The following is an aged analysis of trade receivables at the end of reporting dates:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**6,469**	5,061
31 to 60 days	**1,573**	737
61 to 365 days	**4,258**	3,298
Over 1 year	**1,132**	764
	13,432	9,860

The trade receivables with carrying amount of HK$9,838,000 (2009: HK$8,149,000) are neither past due nor impaired at the reporting date.

The Group has policies for allowances of bad and doubtful debts which are based on the evaluation of collectibility and age analysis of accounts and on the management's judgement including the credit worthiness, collaterals and the past collection history of each customer.

During the year ended 30 June 2010, the Group made an allowance of HK$551,000 (2009: HK$344,000) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The directors considered the related receivables may be impaired and specified allowance is made.

Movement in the allowance for bad and doubtful debts:

	2010	2009
	HK$'000	*HK$'000*
Balance at the beginning of the year	**5,517**	5,848
Charged for the year – trade receivables	**551**	344
Amount written off as uncollectible	**–**	(172)
Amount recovered during the year – trade receivables	**–**	(100)
Charged for the year – other receivables	**–**	353
Exchange adjustments	**50**	46
Reclassified as parts of disposal group of asset held for sale	**–**	(802)
Balance at the end of the year	**6,118**	5,517

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The trade receivables past due but not provided for were either subsequently settled as at the date of this announcement or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's trade receivables with a carrying amount of HK$2,504,000 (2009: HK$416,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

Included in prepayments, deposits and other receivables are prepayments for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK$Nil (2009: HK$34 million).

The fair value of the Group's trade receivables as at 30 June 2010 approximates to the corresponding carrying amount.

15. NON-CURRENT ASSETS HELD FOR SALE

	2010	2009
	HK$'000	*HK$'000*
Assets classified as held for sale	**1,079,773**	350,193
Liabilities associated with assets classified as held for sales	**375,041**	123,825
Non-controlling interests	**408,231**	–
Net assets classified as held for sales	**296,501**	226,368
Reserve classified as held for sales	**441,190**	19,990
	(Note a)	*(Note b)*

Note a: At an announcement made by the Company on 17 September 2010, the Company has intention to dispose of its equity interest in Aptus Holdings Limited, a non-wholly owned subsidiary of the Company within the next twelve months.

The major classes of assets and liabilities comprising the operations classified as held for sale on 30 June 2010 are as follows:

	2010
	HK$'000
Property, plant and equipment	769
Goodwill	904,550
Prepaid lease payments	143,872
Properties under development	15,890
Trade and other receivables and prepayments	5,752
Bank balances and cash	8,930
Tax recoverable	10
Assets related to Aptus business classified as held for sale	1,079,773
Trade payables, accrued liabilities and other payables *(note i)*	35,164
Unsecured promissory note *(note ii)*	87,205
Convertible bonds *(note iii)*	252,672
Liabilities of Aptus business associated with assets classified as held sale	375,041
Non-controlling interests	408,231
Net assets of Aptus business classified as held for sale	296,501
Translation reserve	4,430
Convertible bonds reserve	269,883
Capital reserve	166,877
Reserve of Aptus business classified as held for sale	441,190

note i: Other payables included an amount of HK$30,000,000 which represents deposits received for sales of boxes for storage of deceased cremated ashes and other ancestral properties. Aptus has a profit sharing arrangement with the customer in sharing not less than 50% profit from the sales of 3,000 unit of boxes after proportionally realizing the deposits received as revenue.

note ii: Unsecured promissory note of approximately HK$87,205,000 is unsecured, repayable in a one lump sum on the date falling three years from its date of issue (27 May 2010) and bears no interest.

	Unsecured promissory note
	HK$'000
Principal sum on date of issue	130,000
Fair value adjustment at the issuance date	(39,707)
At initial recognition	90,293
Imputed finance cost	912
Repayment	(4,000)
As at 30 June 2010	87,205
Effective interest rate	13.45%

note iii: Convertible bonds

On 27 May 2010, the subsidiary of the Company, Aptus issued convertible bonds with a principal amount of HK$850 million as part of the consideration to acquire Casdon Management Limited (the "Casdon Bonds"). The Casdon Bonds were denominated in Hong Kong dollar, unsecured, transferable and did not carry interest. The Casdon Bonds entitled the holders thereof to convert the Casdon Bonds, in whole or in part, into ordinary shares of Aptus at a conversion price of HK$0.25 per share during the period from the date of issue to 26 May 2016 (the "Maturity Date"). Aptus also has the option to redeem all or any of outstanding Casdon Bonds at any time prior to the Maturity Date, at par.

The Casdon Bonds contained 2 components, namely liability component and equity component. The effective interest-rate for the liability component is 13.45% per annum.

The convertible bonds have been spilt between the liability and equity components as follows:

	2010	2009
	HK$'000	*HK$'000*
Nominal value of convertible bonds issued	**850,000**	–
Equity component	**(440,085)**	–
Liability component at the issuance date	**409,915**	–
Conversion to ordinary shares in Aptus	**(159,798)**	–
Imputed finance costs	**2,555**	–
Non-current liability component as at the end of the reporting period	**252,672**	–

Note b: For the year ended 30 June 2009, the Group has entered into an agreement to dispose of its gas related business in two jointly controlled entities on 24 April 2009. The disposal was completed on 10 September 2009 and 11 September 2009 respectively.

The major classes of assets and liabilities comprising the operations classified as held for sale as at 30 June 2009 were as follows:

	2009
	HK$'000
Property, plant and equipment	231,819
Construction in progress	2,877
Goodwill	49,454
Prepaid lease payments	15,775
Prepayments, deposits and other receivables	8,513
Trade receivables	1,181
Inventories	1,714
Bank balances and cash	38,860
Assets related to the gas related business classified as held for sale	350,193
Trade payables	4,713
Accrued liabilities and other payables	9,282
Tax liabilities	1,121
Bank and other borrowings	108,709
Liabilities of the gas related business associated with assets classified as held for sale	123,825
Net assets of the gas related business classified as held for sale	226,368
Exchange reserve	19,990
Reserve of the gas related business classified as held for sale	19,990

Note: The Disposal Group has pledged gas distribution network having a carrying amount of approximately HK$117,278,000 to secure bank borrowings granted to the Disposal Group. In addition, leasehold buildings included in property, plant and equipment are located in the People's Republic of China and held under medium term lease.

Borrowings of approximately HK$15,105,000 is secured by corporate guarantee from a shareholder of a jointly controlled entity, interest charged at 2.55% per annum and has fixed repayment term.

Borrowing of approximately HK$59,907,000 is secured by gas network of a jointly controlled entity, interest charged at 5.508%-5.751% per annum and has fixed repayment term. Borrowing of approximately HK$33,697,000 is unsecured, interest charged at 4.779%-5.67% per annum and has fixed repayment term.

16. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**7,912**	13,315
Accrued liabilities and other payables	**21,795**	44,766
At 30 June	**29,707**	58,081

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

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**2,412**	76
31 to 120 days	**1,925**	3,776
121 to 180 days	**2,680**	9,358
181 to 365 days	**647**	105
Over 1 year	**248**	–
At 30 June	**7,912**	13,315

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2010 approximates to the corresponding carrying amount.

17. BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Other loans, unsecured *(Note a)*	**12,100**	36,145
Bank overdraft – secured	**8,251**	–
Unsecured promissory note	**87,205**	–
Less: Reclassified as held for sale *(Note 15)*	**(87,205)**	–
At 30 June	**20,351**	36,145

Note:

(a) Borrowings of HK$Nil (2009: HK$16,500,000) is interest bearing at 2-3% over prime rate, unsecured and repayable in next twelve months.

Borrowings of HK$Nil (2009: HK$19,645,000) is unsecured, bears interest at prime rate and repayable in next twelve months.

Borrowings of approximately HK$7,100,000 (2009: HK$Nil) is interest bearing at 4% over prime rate, unsecured and repayable in next twelve months.

Borrowings of approximately HK$5,000,000 (2009: HK$Nil) is non-interest bearing, unsecured and repayable in next twelve months.

(b) Bank overdraft of approximately HK$8,251,000 (2009: HK$Nil) is interest charged at 6.75% per annum, secured by pledged bank deposit and corporate guarantee by the Company.

Borrowings are repayable as follows:

	2010	2009
	HK$'000	*HK$'000*
On demand or within one year	**20,351**	36,145
Less: Amount shown under non-current liabilities	**–**	–
Amount shown under current liabilities	**20,351**	36,145

18. CONVERTIBLE BONDS

(a) Convertible bonds I

On 22 November 2006, the subsidiary of the Company, Aptus Holdings Limited ("Aptus") issued convertible bonds due on 21 November 2011 with a principal amount of HK$234,000,000, which is with a gross yield at 11% per annum, calculated in a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in the Changde Joint Venture, 33% equity interest in the Hunan Joint Venture and general working purposes.

On 28 August 2009, the Company and Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution"), have entered into a deed of undertaking as follows:

(a) in consideration of the undertaking given by the Company referred to in paragraph (b) below, Evolution irrevocably and unconditionally undertakes to the Company that it will not exercise its conversion right under the convertible bonds; and

(b) in consideration of the undertaking given by Evolution referred to in paragraph (a) above, the Company irrevocably and unconditionally undertakes to Evolution that when the redemption amount is available for redemption, it will be applied to redeem the convertible bonds.

On 15 January 2010, the sole beneficial owner issued a put exercise notice requiring full redemption of the convertible bonds in the outstanding principal and any unpaid and accrued interest.

The fair value of the liability component of the convertible bonds is estimated by computing the present value of all future cash flows discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds. The residual amount, representing the value of the equity component is credited to a Company's reserve account.

The convertible bonds have been spilt between the liability and equity components as follows:

	2010	2009
	HK$'000	*HK$'000*
Nominal value of convertible bonds issued	**234,000**	234,000
Equity component	**(10,712)**	(10,712)
Liability component at the issuance date	**223,288**	223,288
Interest paid	**(5,850)**	(5,850)
Imputed finance costs	**106,174**	85,806
Early redemption	**(323,612)**	–
Non-current liability component as at the end of the reporting period	**–**	303,244
		(Note b)

(b) Convertible bonds II

The Company assumed the convertible bonds by Grand Promise International Limited with a principal amount of US$35 million. The convertible bonds are denominated in United States Dollar. The convertible bonds holders are entitled to convert the convertible bonds into ordinary shares of the Company at a conversion price of HK$0.8 per each ordinary share. If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 141.06% of the outstanding principal amount of the Bonds.

The convertible bonds contain two components: liability component and conversion option derivative. The effective interest rate of the liability component is 16.38%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit and loss.

The movement of the liability component and conversion option derivative of the convertible bonds for the year is set out as below:

	Conversion option derivative component	**Liability component**
	HK$'000	*HK$'000*
At 1 July 2009	75,232	219,495
Imputed finance cost	–	9,639
Changes in fair value	37,150	–
Exchange difference	–	(195)
Early redemption	(94,660)	(165,850)
At 30 June 2010	17,722	63,089
	(Note a)	*(Note b)*

Note a: Recorded in current liabilities as derivative financial instruments.

Note b: Total of approximately of HK$63,089,000 (2009: approximately HK$522,739,000) is recorded as non-current liabilities.

19. GOODWILL

	HK$'000
COST	
At 1 July 2008	2,300,692
Reclassified as held for sale	(49,454)
At 30 June 2009 and at 1 July 2009	2,251,238
Acquisition of a subsidiary	904,550
Reclassified as held for sale	(1,009,739)
At 30 June 2010	**2,146,049**
IMPAIRMENT PROVISION	
At 1 July 2008	3,506
Impairment loss recognized for the year	31,761
At 30 June 2009 and at 1 July 2009	35,267
Impairment loss recognized for the year	1,061,203
Reclassified as held for sale	(105,189)
At 30 June 2010	**991,281**
CARRYING VALUES	
At 30 June 2010	**1,154,768**
At 30 June 2009	2,215,971

The Group tests goodwill annually for impairment in the financial year in which the acquisition takes place, or more frequently if there is indications that goodwill might be impaired.

For the year ended 30 June 2010, addition of goodwill was arisen from acquisition of Casdon Management Limited amounted to approximately HK$904,550,000.

For the year ended 30 June 2010, the Group recognized an impairment loss of HK$1,061,203,000 (2009: HK$31,761,000) in relation to goodwill arising on acquisition of subsidiaries, Aptus Holdings Limited and acquisition of Karaoke CMS services business respectively.

The recoverable amounts of cash generating units ("CGUs") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The key assumption used for cash flow projections for the provision of Karaoke CMS Services and provision of lottery-related hardware and software systems are as follows:

(a) Provision of Karaoke CMS Services

	2011	2012	Year 2013	2014	2015
Growth rate	70%	100%	150%	60%	60%
Discount rate	18%	18%	18%	18%	18%

Cash flows beyond the five year period are extrapolated using the estimated growth rate of 20% from year 2016 to 2017 and 10% from year 2018 to year 2020 and thereafter the estimated growth rate is 2% per annum.

(b) Lottery-related hardware and software systems

	2011	2012	Year 2013	2014	2015
Growth rate	20%	20%	20%	20%	20%
Discount rate	10%	10%	10%	10%	10%

Cash flows beyond the five year period are extrapolated using the estimated growth rate of 10%.

20. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

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

	2010 ***HK$'000***	2009 *HK$'000*
Short-term benefits	**19,621**	16,472
Post-employment benefits	**116**	120
Termination benefits	**400**	–
	20,137	16,592

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

21. EVENTS AFTER REPORTING PERIOD

(a) On 26 July 2010 and 13 August 2010, the Company entered into an agreement with the convertible bond holders to pledge 300,000,000 and 100,000,000 shares of Aptus Holdings Limited as security.

(b) On 13 August 2010 and 14 August 2010, the Company issued 30,000,000 and 10,000,000 warrants at a exercise price of HK$0.168 per share.

(c) At an announcement of the Company dated 17 September 2010, the Company announced to dispose of all remaining equity interest in Aptus Holdings Limited within the next twelve months.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

On 24 April 2009 Aptus entered into agreements relating to the disposal of the natural gas joint ventures and the termination of the profit sharing rights for the Xin Jiang Oilfield, the disposal was completed in 11 September 2009 while the termination took effect on 17 November 2009. Financial information regarding the natural gas joint ventures and the profit sharing rights have been classified as discontinued operations for Year 2010 and Year 2009 respectively.

Subsequent to 30 June 2010, the Company announced on 17 September 2010 that it intends to dispose of its remaining equity interest in Aptus, the financial information regarding Aptus for Year 2010 has been classified as discontinued operations and the comparative figures for Year 2009 has been restated accordingly.

Turnover

The Group recorded a turnover from continuing operations of approximately HK$97,510,000 for Year 2010, an increase of approximately 46.0% as compared to approximately HK$66,787,000 for Year 2009. Turnover from our core continuing operations such as the Karaoke CMS operation and lottery-related operation have exhibited commendable growth.

The attributable turnover from the Karaoke CMS operation increased by approximately 80.94% from approximately HK$22,889,000 for Year 2009 to approximately HK$41,415,000 recorded for Year 2010 as the Karaoke CMS operation gained momentum in terms of set-top box installation and copyright fee collections.

The turnover from our lottery-related operation increased by approximately 23.19% from approximately HK$42,843,000 recorded for Year 2009 to approximately HK$52,777,000 recorded for Year 2010. The increase in revenue contribution is a direct result of the increase of combined lottery sales recorded in the 3 locations being serviced by the Bozone Group.

Gross Profit

The details of gross profit and gross profit ratio of the Group for continuing operations are as follows:

	Year 2010		Year 2009	
	Gross Profit *HK$'000*	**Gross Profit Ratio** %	Gross Profit *HK$'000*	Gross Profit Ratio %
Karaoke CMS and license fee collection operation	**15,057**	**36.4**	7,296	31.9
Lottery-related operation	**48,218**	**91.4**	37,224	86.9
Others	**(26)**	**N/A**	40	3.8
Overall	**63,249**	**64.9**	44,560	66.7

The Group's overall gross profit ratio from continuing operations for Year 2010 was about 64.9% as compared to about 66.7% recorded for Year 2009 and the total gross profit for Years 2010 was approximately HK$63,249,000, representing a year on year increase of about 41.9%. With regards to the Karaoke CMS and license fee collection operations, the gross profit ratio was about 36.4% recorded for Year 2010 as compared to about 31.9% recorded for Year 2009. On the lottery-related side, the gross profit ratio increased by about 4.5% to about 91.4% for Year 2010.

Discontinued Operations

During Year 2010, Aptus completed the termination of profit sharing rights on the Xin Jiang Oilfield and the disposal of the Changde joint venture and the Hunan joint venture (together known as the "Natural Gas Joint Ventures").

The profit from discontinued operations of approximately HK$24,042,000 for Year 2010 represented (i) the Group's share of net loss of the Natural Gas Joint Ventures of approximately HK$170,000; (ii) gain on the disposal transaction, net of tax, of approximately HK$180,888,000; (iii) gain on termination of profit sharing rights on the Xin Jiang Oilfield, net of tax, of approximately HK$10,104,000; and (iv) impairment loss on goodwill of approximately HK$105,044,000.

Loss from discontinued operations of approximately HK$70,392,000 for Year 2009 represented net result of the Group's share of net profit from the Natural Gas Joint Ventures of approximately HK$3,616,000, net loss of termination of the profit sharing rights on the Xin Jiang Oilfield of approximately HK$412,000 and impairment loss of goodwill of approximately HK$31,761,000.

Operating Costs (From Continuing Operations)

The Group's operating costs, comprising selling and distribution costs and administrative expenses, increased by approximately HK$23,849,000 from approximately HK$78,791,000 recorded for Year 2009 to approximately HK$102,640,000 recorded for Year 2010. The increase was mainly attributable to the payment of arrangement fees incurred as a result of the restructuring of the GPIL Bonds of approximately HK$15,499,000 for Year 2010 (Year 2009: HK$ nil).

In addition, the Group recorded an impairment loss of goodwill of approximately HK$956,159,000 for Year 2010 (Year 2009: HK$ nil) in respect of goodwill arising from the acquisition of GPIL. The carrying value of such goodwill exceeding the probable future economic benefits that can be derived from the business caused the recognition of the impairment loss. Detail is set out in note 19 to the consolidated financial statements.

Finance Costs

The decrease in finance costs from continuing operations in Year 2010 was about HK$12,493,000 which improved from approximately HK$23,674,000 recorded for Year 2009 to approximately HK$11,181,000 in Year 2010. It was mainly attributable to the decrease in imputed finance costs arising from substantial reduction to the outstanding principal amount of the GPIL Bonds.

DEVELOPMENTS

Karaoke CMS operation

The Karaoke CMS operation continued increasing its coverage to karaoke venues in the PRC. Currently, over 3,200 karaoke venues have been installed with the Karaoke CMS, representing a year on year increase of about 45%.

Excellent Union Communication Group Co., Ltd. ("Excellent Union") (天合文化集團有限公司), a jointly controlled entity of CCDDT (together known as the "CCDDT Group"), the royalty/copyright fee settlement and collection arm of CCDDT, has established operational subsidiaries in 30 provinces in the PRC and collected copyright fees in 26 provinces, including major cities and provinces such as Beijing, Shanghai, Guangdong and Chongqing.

The CCDDT Group has developed VAS software and hardware for provision of services such as in-room spot commercials and in-room welfare lottery tickets sales within karaoke venues. The pilot tests of these VAS in Chongqing were very positive.

For Year 2010, the revenue contributed to the Group from the Karaoke CMS operations was approximately HK$41,415,000, representing an increase by about 80.94% from approximately HK$22,889,000 recorded for the previous corresponding year ("Year 2009").

Lottery-related operation

Bozone Group is currently servicing over 13,000 point of sales terminals for the Welfare Lottery Centres of Shenzhen, Heilongjiang and Zhejiang. During Year 2010, the combined welfare lottery sales recorded in these 3 locations amounted to approximately RMB 8.5 billion, a year on year increase of about 18%.

In anticipating future growth of the existing 3 locations, and the possible expansion into other welfare lottery sales channels, Bozone Group focused its resources on enhancing the capabilities of the existing platform to further increase stability and security. New system interfaces were also implemented for Heilongjiang and Zhejiang. In a continuing effort to maintaining high standards, Bozone Group is currently undergoing the process of getting the ISO27001 certification, which will enhance the Bozone Group's creditability and increase customers' confidence in the Bozone Group. ISO27001 is the International Standard for Information Security and it formally specifies a management system that is intended to bring information security under explicit management control.

For Year 2010, the revenue contributed to the Group from the lottery-related operation was approximately HK$52,777,000, representing an increase by about 24.23% from approximately HK$42,483,000 recorded for Year 2009.

Aptus Holdings Limited ("Aptus") (Discontinued Operations)

Aptus completed the acquisition of Casdon Management Limited ("Casdon") on 27 May 2010 and as part of the consideration, issued a convertible bond in the amount of HK$850,000,000 at a conversion price of HK$0.25 per share. As of the date of this announcement, HK$500,000,000 of the convertible bond has been converted into 2,000,000,000 new shares of Aptus, bringing the enlarged share capital of Aptus to 4,137,771,428. The Company holds circa 10.16% of the total issued share capital of Aptus as of the date of this announcement.

Subsequent to 30 June 2010, the Company announced on 17 September 2010 that in order to allow flexibility in effecting future disposals of shares of Aptus at appropriate time(s) and price(s) so as to maximize financial flexibility of the Group, it was seeking shareholders' approval in advance to allow the directors of the Company ("Directors") to dispose of up to 420,596,428 shares of Aptus, representing the entire equity interest of the Company in Aptus, for a 12-month period from the date of passing the relevant ordinary resolution from the shareholders.

STRENGTHENING OUR FINANCIAL POSITION

The Group has reduced the outstanding amount plus accrued but unpaid interest of the convertible bonds issued by Grand Promise International Limited ("GPIL" and "GPIL Bonds" respectively), an indirect wholly-owned subsidiary of the Company, from approximately HK$327,710,000 to approximately HK$41,136,000 as of the date of this announcement. In additional to internal resources, the Company raised part of the funding via the disposals of 551,150,000 Aptus shares during the period from December 2009 to May 2010, and raised total gross proceeds of approximately HK$150,517,000. The Company continues to hold 420,596,428 Aptus shares, representing about 10.16% of the total issued share capital of Aptus as of the date of this announcement.

Meanwhile, a total of approximately HK$329,461,000 was utilised to retire the convertible bonds issued by Aptus on 22 November 2006 in their entirety. The funds used came from the proceeds from the disposal of the natural gas joint ventures of Aptus, which was completed in September 2009.

MANAGEMENT CHANGES

Mr. Kwan Yiu Ming Patrick resigned as the Chief Financial Officer and Company Secretary of the Company with effect on 18 June 2010. On behalf of the Board, I would like to express our sincere thanks for his contributions to the Group during his period of service. With effect on 18 June 2010, Mr. Chow Chun Hong Ernest ("Mr. Chow") has been appointed as the Chief Financial Officer of the Group and the Company Secretary of the Company. Prior to joining the Company, Mr. Chow worked for the IT operating business of Jardine Matheson Group for 16 years. He held senior financial controller positions of several business operations during the period and the last position he held was the company director and regional financial controller in the PRC. He has extensive knowledge and experience in accounting, financial management, taxation, auditing and financial control relating to Hong Kong and the PRC business.

FUTURE OUTLOOK AND PROSPECTS

While the CCDDT Group have established joint ventures and operations in 30 provinces in the PRC and has begun collecting copyright fees from 26 provinces, this is just the beginning to the many great opportunities that awaits the Group in providing solutions and services to the entertainment industry. Via the Karaoke CMS, the Group is able to keep track of songs sung in the karaoke venues nationwide to ensure the interests of the intellectual property owners ("IP Owners") are protected. Via the Karaoke CMS, the Group can help to ensure contents played in karaoke venues are in compliance with industry regulations. Via the Karaoke CMS, the Group can provide other VAS to the karaoke operators to broaden their revenue streams, thereby, creating more incentives for the karaoke operators to be installed with the Karaoke CMS.

In short, our Karaoke CMS operations are protecting the interest of the IP Owners and maintaining industry standards while at the same time deriving new revenue streams for the karaoke operators. With more than 50,000 licensed karaoke venues in the PRC, the potential is endless. Management will do everything they can to increase the returns to the shareholders.

It is also management's intentions to further utilize the synergies provided by the Karaoke CMS operation to facilitate further expansion of our lottery-related operation. As mentioned above, VAS, such as in-room welfare lottery ticket sales, is currently being carried out in selected karaoke venues in Chongqing and have proven a success. An area of focus for the Bozone Group in the future will be to develop games and customize systems for the entertainment industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, shareholders' funds excluding assets and liabilities classified as held for sale amounted to approximately HK$1,270,861,000 (2009: approximately HK$1,944,506,000). Current assets excluding assets classified as held for sale amounted to approximately HK$129,868,000 (2009: approximately HK$294,768,000), mainly comprising of bank balances and cash and trade and other receivables and prepayments. The Group had current liabilities excluding liabilities classified as held for sale amounting to approximately HK$68,319,000 (2009: approximately HK$170,621,000) mainly comprising of its trade and other payables, derivative financial instruments and other borrowings. The Group has bank borrowings of about HK$8,251,000 excluding bank borrowings classified as held for sale as at 30 June 2010 (2009: HK$Nil). The Group financed its operations primarily with internally generated cash flows, and banking facilities granted by a bank. The net asset value per share of the Company excluding assets and liabilities classified as held for sale was approximately HK$0.40 (2009: approximately HK$0.61). The gearing ratio was 4.96% (2009: 26.88%) on the basis of non-current liabilities divided by shareholders' funds excluding assets and liabilities classified as held for sale.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 2010, the Group has pledged all of the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of GPIL) together with all proceeds in favour of the holders of the GPIL Bonds. By the deeds of adherence, on completion of the acquisition of GPIL in April 2008, the GPIL Bonds were taken up by the Company.

As at 30 June 2010, the Group has pledged its bank deposits of approximately HK$5,128,000 (30 June 2009: approximately HK$5,110,000) to a bank to secure the general banking facilities granted to the Group.

Subsequent to 30 June 2010, the Group has pledged a total of 400,000,000 shares of Aptus to the holders of the GPIL Bonds.

CAPITAL STRUCTURE

During the year ended 30 June 2010, nil share was issued due to the exercise of warrants and the nil share was cancelled due to repurchase of shares by the Company. As of 30 June 2010, the Company has in issue a total of 3,211,893,839 ordinary shares with a par value of HK$0.01 each.

CONVERTIBLE BONDS

On 11 April 2008, upon completion of acquisition of GPIL, the Company took up the GPIL Bonds with a principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) previously issued by GPIL by the deeds of adherence. The principal amount of the GPIL Bonds shall accrete at a yield of 7% per annum, compounded semi-annually. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 141.06% of their principal amount on 30 November 2012.

During Year 2010 and up to the date of the announcement, the Company has redeemed a substantial part of the principal of the GPIL Bonds, being US$23,140,000 (equivalent to approximately HK$180,145,000) in the case of the GPIL Bonds issued to Liberty Harbor Master Fund I, L.P. ("LH GPIL Bonds" and "Liberty Harbor" respectively) and US$7,886,000 (equivalent to approximately HK$61,393,000) in the case of the GPIL Bonds issued to Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution GPIL Bonds" and "Evolution" respectively). The redemption amount is the sum of the principal amount to be redeemed plus a yield of 7% per annum, compounded semi-annually, on the amount redeemed, commencing on the date of the issuance of the GPIL Bonds and including the relevant redemption date subject to currency conversion in accordance with the terms of the GPIL Bonds (as amended from time to time).

The Company and GPIL have been in negotiation with Liberty Harbor and Evolution with regards to the restructuring of the GPIL Bonds which resulted in a series of amendments and undertakings being entered into in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties.

Subsequent to 30 June 2010, on 29 July 2010, the LH GPIL Bonds in the outstanding principal amount of US$1,850,000 (equivalent to approximately HK$14,402,000) issued to Liberty Harbor was sold to Tarascon Asia Absolute Fund (Cayman) Limited ("Tarascon"). All the rights, title, interest in and obligations under the LH GPIL Bonds have been assigned and novated to Tarascon by an assignment and novation agreement dated 28 July 2010.

As a result of the latest amendments and/or restatements, the period during which Evolution and Tarascon may require redemption of the outstanding principal amounts of the GPIL Bonds have been delayed to the period from 13 August 2010 to 30 November 2010. As a result of GPIL and the Company providing certain undertakings to Evolution and Tarascon, including payment of step up fees and the issuance of a total of 40,000,000 warrants on 26 August 2010, Evolution and Tarascon both have undertook not to exercise the redemption option during the abovementioned period and will only exercise their redemption rights on 30 November 2010.

The fair value of the liability component, as stated in the consolidated statement of financial position and note 18 to the consolidated financial statements, of the convertible bonds is estimated by computing the present value of all future cash flow discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds will be charged to the profit and loss account. The residual amount, representing the value of the derivative component, is credited to current liability of the Company.

WARRANTS

Subsequent to 30 June 2010, on 26 August 2010 the Company issued an aggregate of 40,000,000 warrants at the exercise price of HK$0.168 per share to the holders GPIL Bonds expiring on 26 August 2011.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and US dollars borrowings. As the exchange rate of RMB against Hong Kong dollars is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2010, the Company and its subsidiaries employed 30 staff in Hong Kong, and 148 staff in the PRC; and the Group's jointly controlled entities employed 515 staff in the PRC. Staff costs from continuing operations excluding directors' remuneration amounted to approximately HK$24,254,000 (Year 2009: approximately HK$18,819,000). Employee remuneration is determined by reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

SIGNIFICANT INVESTMENT

For the year ended 30 June 2010, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSALS

On 24 April 2009, the Aptus entered into agreements relating to the disposal of the Natural Gas Joint Ventures and the termination of the profit sharing rights for the Xin Jiang Oilfield which were subsequently approved by the shareholders in the extraordinary general meeting held on 10 July 2009. The disposal and termination were completed on 11 September 2009 and 17 November 2009, respectively.

Aptus, via Sea Marvel Limited, its wholly-owned subsidiary, completed the acquisition of the entire issued capital of Casdon at a consideration of HK$1,085,000,000 on 27 May 2010. The consideration was settled in the following manner: (i) HK$85,000,000 was settled in cash payment; (ii) HK$850,000,000 by way of Aptus issuing the convertible bonds; (iii) HK$20,000,000 by way of Aptus issuing the secured promissory note; and (iv) HK$130,000,000 by way of Aptus issuing the unsecured promissory note. As a result of Aptus issuing the HK$850,000,000 convertible bonds and assuming full conversion of the convertible bonds into shares of Aptus, the Group was deemed to have disposed of Aptus by way of dilution. Details of the transactions are set out in the joint circular of the Company and Aptus dated 22 April 2010.

During Year 2010, the Group disposed an aggregate of 551,150,000 shares of Aptus and raised total gross proceeds of approximately HK$150,517,000.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2010.

PRE-EMPTIVE RIGHTS

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

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

Save as disclosed herein, neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2010.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICE

The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

Except for the deviation from the provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Company has complied all remaining provisions of the Code.

The Code provision A.4.1 provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of three Independent Non-executive Directors, namely Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond. Mr. To Yan Ming Edmond is the chairman of the audit committee. The Group's audited results for the year ended 30 June 2010 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made. Four meetings were held during the current financial year.

The Company has received from each of the three Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the three Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2010.

By order of the Board
China Vanguard Group Limited
Chan Ting
Executive Director

Hong Kong, 28 September 2010

* *For identification purposes only*

As at the date of this announcement, the board of directors of the Company comprises five executive directors, being Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Mr. Chan Ting, Ms. Chan Siu Sarah and Mr. Lau Hin Kun; and three independent non-executive directors, being Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.cvg.com.hk.