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 2011

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.

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 2011, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	**2011** **HK$’000**	2010 *HK$’000*
Continuing operations			
Revenue	*4*	**112,734**	97,510
Cost of sales		**(39,464)**	(34,261)
Gross profit		**73,270**	63,249
Other revenue	*4*	**18,093**	13,834
Selling and distribution costs		**(12,470)**	(9,896)
Administrative expenses		**(96,309)**	(92,744)
Operating loss		**(17,416)**	(25,557)
Impairment loss on goodwill		**(63,964)**	(956,159)
Impairment loss on other intangible assets		**(14,174)**	–
Impairment loss on available-for-sale financial assets		**(7,693)**	–
Gain on disposal of a subsidiary		**5,810**	–
Loss on disposal of available-for-sale financial assets		**(6,436)**	–
Gain (loss) on changes in fair value for derivative financial instruments		**1,666**	(37,150)
Finance costs	*5*	**(3,716)**	(11,181)
Loss before taxation	*6*	**(105,923)**	(1,030,047)
Income tax expenses	*7*	**(4,317)**	(2,280)
Loss for the year from continuing operations		**(110,240)**	(1,032,327)
Discontinued operations			
Profit for the year from discontinued operations	*9*	**178,404**	24,042
Profit (loss) for the year		**68,164**	(1,008,285)

	Notes	2011 HK$'000	2010 HK$'000
Attributable to:			
Equity holders of the Company		**61,439**	(1,047,777)
Non-controlling interests		**6,725**	39,492
		68,164	(1,008,285)
Earnings (loss) per share			
From continuing operations and discontinued operations			
Basic	*10*	**HK1.91 cents**	(HK32.62 cents)
Diluted	*10*	**HK1.90 cents**	N/A
From continuing operations			
Basic	*10*	**(HK3.64 cents)**	(HK33.37 cents)
Profit (loss) for the year		**68,164**	(1,008,285)
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas operations		**10,459**	3,673
Total comprehensive income (expenses) for the year		**78,623**	(1,004,612)
Attributable to:			
Equity holders of the Company		**69,500**	(1,045,000)
Non-controlling interests		**9,123**	40,388
Total comprehensive income (expenses) for the year		**78,623**	(1,004,612)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**29,987**	42,472
Goodwill	*18*	**1,090,848**	1,154,768
Other intangible assets		**–**	11,381
Available-for-sale financial assets		**64,140**	63,780
		1,184,975	1,272,401
Current assets			
Inventories	*12*	**4,305**	3,897
Trade and other receivables and prepayments	*13*	**29,935**	24,337
Tax recoverable		**10**	50
Pledged bank deposits		**5,157**	5,128
Bank balances and cash		**68,155**	96,456
		107,562	129,868
Assets classified as held for sale	*14*	**–**	1,079,773
		107,562	1,209,641
Current liabilities			
Trade payables, accrued liabilites and other payables	*15*	**31,245**	29,707
Tax liabilities		**1,406**	539
Derivative financial instruments	*17(b)*	**143**	17,722
Bank and other borrowings	*16*	**60,405**	20,351
		93,199	68,319
Liabilities associated with assets held for sale	*14*	**–**	375,041
		93,199	443,360
Net current assets		**14,363**	766,281
Total assets less current liabilities		**1,199,338**	2,038,682

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
Non-current liabilities			
Convertible bonds	*17(b)*	**8,185**	63,089
Net assets		**1,191,153**	1,975,593
Capital and reserves			
Share capital		**32,219**	32,119
Reserves		**1,104,344**	1,474,454
Equity attributable to equity holders of the Company		**1,136,563**	1,506,573
Non-controlling interests		**54,590**	469,020
Total equity		**1,191,153**	1,975,593

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	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$'000*	Special reserve *HK$'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 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)
Dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	166,877	–	–	166,877	(19,075)	147,802
Transfer to discontinued operations	–	–	–	(269,883)	–	–	(4,430)	–	(166,877)	–	441,190	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	409,594	409,594
Disposal of jointly controlled entities	–	–	–	–	–	–	–	–	–	–	(19,990)	(19,990)	–	(19,990)
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	2,777	–	–	(1,047,777)	–	(1,045,000)	40,388	(1,004,612)
At 30 June 2010 and at 1 July 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
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	133,146	133,146
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(200)	(200)
Exercise of convertible bonds issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	(66,605)	(66,605)	–	(66,605)
Dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	2,145	2,145	(2,145)	–
Shares issued on exercised of warrants	100	1,580	–	–	–	–	–	–	–	–	–	1,680	–	1,680
Release on deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(376,730)	(376,730)	–	(376,730)
Deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(554,354)	(554,354)
Total comprehensive income for the year	–	–	–	–	–	–	8,061	–	–	61,439	–	69,500	9,123	78,623
At 30 June 2011	32,219	2,157,154	234	–	35,572	11,092	20,722	(1)	–	(1,120,429)	–	1,136,563	54,590	1,191,153

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. Detail is summarized as follows:

Summary of diluted interest of a subsidiary

For the period from 1 July 2010 to date of deconsolidation, the Company's equity interest in Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) ("HK Life") has been changed. According to HKAS27 "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 interest in HK Life

	Conversion of convertible bonds to shares	**Conversion of convertible bonds to shares**	**Subscription of shares**	**Conversion of convertible bonds to shares**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of consideration received	–	–	–	–	–
Amount recognized as non-controlling interests	456	1,631	(307)	365	2,145
Positive (negative) movement in parent equity	456	1,631	(307)	365	2,145
Decrease in equity interest	0.29%	1.02%	0.22%	0.22%	1.75%
	Note a	*Note b*	*Note c*	*Note d*	

	HK$'000
Analyzed for:	
Deemed disposal of equity interest in a subsidiary	2,145

Note:

a. Being conversion of convertible bonds into 80,000,000 shares in HK Life on 5 July 2010.

b. Being conversion of convertible bonds into 320,000,000 shares in HK Life on 13 July 2010.

c. Being subscription of 74,100,000 shares at HK$0.17 per share on 23 August 2010.

d. Being conversion of convertible bonds into 80,000,000 shares in HK Life on 8 September 2010.

During the year ended 30 June 2010, changes the Company's equity interest in HK Life is summarized as follows:

Details of change in the Company's equity interest in HK Life

	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 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 HK Life

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

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

d. Being placing of 120,000,000 and 140,000,000 shares in HK Life 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 HK Life on 30 and 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 HK Life 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 HK Life 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 which is the Company's functional and presentation currency.

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").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 32 (Amendments)	Classification of right issues
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 8 (Amendments)	Disclosure of information about segment assets
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements of the Group and/or disclosures set out in these consolidated financial statements.

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (Revised 2011)	Employee benefits[6]
HKAS 24 (Revised 2009)	Related party disclosures[2]
HKAS 27 (Revised 2011)	Separate financial statements[6]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[6]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[6]
HKFRS 10	Consolidated financial statements[6]
HKFRS 11	Joint arrangements[6]
HKFRS 12	Disclosure of interests in other entities[6]
HKFRS 13	Fair value measurment[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[2] Effective for annual periods beginning on or after 1 January 2011

[3] Effective for annual periods beginning on or after 1 July 2011

[4] Effective for annual periods beginning on or after 1 January 2012

[5] Effective for annual periods beginning on or after 1 July 2012

[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 " Financial instruments: Recognition and measurement" are subsequently measured at either amoritsed cost or fair value. Specifically, debt investment that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amoritsed cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors of the Company anticipated that HKFRS 9 "Financial instruments" will be adopted in the Group's consolidated financial statements for the annual periods beginning on 1 July 2013. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual period beginning on or after 1 January 2013, with earlier application permitted.

HKAS 12 (Amendments) "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of HKAS 12 (Amendments) may have a significant impact on deferred tax recognized for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review had been completed.

HKAS 24 (Revised 2009) "Related party disclosures" modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised 2009) do not affect the Group because the Group is not a government-related entity.

HKFRS 7 (Amendments) "Disclosures – Transfers of financial assets" increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transfer retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HK(IFRIC)-Int 14 (Amendments) "Prepayments of a minimum funding requirement" require entities to recognize as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

The directors of the Company anticipated that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

3. SEGMENT INFORMATION

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) Provision of lottery-related services
(b) Provision of entertainment VAS services
(c) Others included distribution of natural supplementary products, catering services and sales of animal feeds

Discontinued operations

(a) Trading of edible oil and mineral materials
(b) Boxes for storage of deceased cremated ashes and other ancestral properties
(c) Paper-offering business

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

2011

	Continuing operations				Discontinued operations						
	Entertainment VAS	Lottery-related services	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Segment revenue:											
Sales to external customers	45,874	60,054	6,806	112,734	-	-	-	5,617	-	5,617	118,351
Segment results	(86,457)	28,531	(2,713)	(60,639)	-	-	-	(1,301)	-	(1,301)	(61,940)
Unallocated income				8,056						-	8,056
Unallocated expenses				(49,624)						-	(49,624)
Finance costs				(3,716)						(3,624)	(7,340)
Gain on deconsolidation of a subsidiary				-						183,339	183,339
Gain on disposal of jointly controlled entities				-						-	-
Gain on termination of profit sharing arrangement				-						-	-
Profit (loss) before taxation				(105,923)						178,414	72,491
Income tax expenses				(4,317)						(10)	(4,327)
Profit (loss) for the year				(110,240)						178,404	68,164

2010

	Continuing operations				Discontinued operations						
	Entertainment VAS	Lottery-related services	Others	Total	Gas related	Profit sharing on oil field	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Segment revenue:											
Sales to external customers	41,415	52,777	3,318	97,510	18,323	–	3,780	–	–	22,103	119,613
Segment results	(960,232)	24,911	(4,326)	(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) profit for the year				(1,032,327)						24,042	(1,008,285)

(b) Segment assets

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

2011

	Continuing operations				Discontinued operations				
	Entertainment VAS	Lottery-related services	Others	Total	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Assets									
Segment assets	**1,055,258**	**146,510**	**5,510**	**1,207,278**	**–**	**–**	**–**	**–**	**1,207,278**
Unallocated assets				**85,259**				**–**	**85,259**
Total assets				**1,292,537**				**–**	**1,292,537**
Liabilities									
Segment liabilities	**25,167**	**3,615**	**998**	**29,780**	**–**	**–**	**–**	**–**	**29,780**
Unallocated liabilities				**2,871**				**–**	**2,871**
Bank and other borrowings				**60,405**				**–**	**60,405**
Convertible bonds				**8,328**				**–**	**8,328**
Total liabilities				**101,384**				**–**	**101,384**

2010

	Continuing operations				Discontinued operations				
	Entertainment VAS	Lottery-related services	Others	Total	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Assets									
Segment assets	1,128,147	170,847	7,580	1,306,574	1,266	1,071,830	414	1,073,510	2,380,084
Unallocated assets				95,695				6,263	101,958
Total assets				1,402,269				1,079,773	2,482,042
Liabilities									
Segment liabilities	14,048	10,424	1,789	26,261	46	31,090	5	31,141	57,402
Unallocated liabilities				12,236				4,023	16,259
Borrowings				12,100	–	87,205	–	87,205	99,305
Convertible bonds				80,811	–	252,672	–	252,672	333,483
Total liabilities				131,408				375,041	506,449

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

2011

	Continuing operations				Discontinued operations					
	Entertainment VAS	Lottery-related services	Others	Total	Gas related	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Amount included in the measure of segment profit or loss or segment assets:										
Additions to property, plant and equipment	352	2,621	510	3,483	–	–	–	–	–	3,483
Loss on disposal of property, plant and equipment	(1,424)	(7)	–	(1,431)	–	–	–	–	–	(1,431)
Allowances for doubtful receivable	2,359	–	6,305	8,664	–	–	–	–	–	8,664
Impairment loss on goodwill	63,964	–	–	63,964	–	–	–	–	–	63,964
Depreciation and amortization	4,710	11,169	1,076	16,955	–	–	50	–	50	17,005

2010

	Continuing operations				Discontinued operations					
	Entertainment VAS	Lottery-related services	Others	Total	Gas related	Trading of edible oil and mineral materials	Boxes for storage of deceased 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*
Amount included in the measure of segment profit or loss or segment assets:										
Additions to property, plant and equipment	2,334	4,854	1,365	8,553	–	–	690	–	690	9,243
Properties under development	–	–	–	–	–	–	1,988	–	1,988	1,988
Gain (loss) on disposal of property, plant and equipment	(5)	3,213	–	3,208	–	–	–	–	–	3,208
Allowances for doubtful receivable	–	–	551	551	–	–	–	–	–	551
Impairment loss on goodwill	956,159	–	–	956,159	96,176	8,868	–	–	105,044	1,061,203
Depreciation and amortization	4,516	10,841	1,245	16,602	2,105	–	22	–	2,127	18,729

(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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**112,591**	97,006	**–**	18,323	**112,591**	115,329
Hong Kong	**143**	504	**5,617**	–	**5,760**	504
South East Asia	**–**	–	**–**	3,780	**–**	3,780
	112,734	97,510	**5,617**	22,103	**118,351**	119,613

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**127,351**	152,012	**6,530**	11,820
Hong Kong	**1,165,186**	2,328,764	**291**	2,784
South East Asia	**–**	1,266	**–**	–
	1,292,537	2,482,042	**6,821**	14,604

Revenue from major products and services

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

	2011	2010
	HK$'000	*HK$'000*
Lottery-related services	**60,054**	52,777
Entertainment VAS	**45,874**	41,415
Trading of edible oil and mineral materials	**–**	3,780
Gas related	**–**	18,323
Boxes for storage of deceased cremated and other ancestral properties	**5,617**	–
Others	**6,806**	3,318
	118,351	119,613

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Customer A – Provision of entertainment VAS services	**34,264**	41,415
Customer B – Provision of lottery-related services	**37,436**	29,851

4. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) provision of entertainment VAS services and (iii) food and 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**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Provision of lottery-related hardware and software systems	**60,054**	52,777	**–**	–	**60,054**	52,777
Trading of edible oil and mineral materials	**–**	–	**–**	3,780	**–**	3,780
Gas related	**–**	–	**–**	18,323	**–**	18,323
Boxes for storage of deceased cremated ashes and other ancestral properties	**–**	–	**5,617**	–	**5,617**	–
Provision of entertainment VAS services	**45,874**	41,415	**–**	–	**45,874**	41,415
Sales of goods	**58**	153	**–**	–	**58**	153
Catering services	**6,605**	2,661	**–**	–	**6,605**	2,661
Distribution of natural supplementary products	**143**	504	**–**	–	**143**	504
	112,734	97,510	**5,617**	22,103	**118,351**	119,613

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other revenue						
Interest income	**748**	587	**–**	525	**748**	1,112
Investment income	**134**	275	**–**	–	**134**	275
Gain on deconsolidation of a subsidiary	**–**	–	**183,339**	–	**183,339**	–
Recovery of doubtful debts	**95**	–	**–**	–	**95**	–
Others	**17,116**	12,972	**49**	705	**17,165**	13,677
	18,093	13,834	**183,388**	1,230	**201,481**	15,064

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
– borrowings wholly repayable within five years	**1,205**	1,542	**–**	1,134	**1,205**	2,676
– borrowings wholly repayable after five years	**–**	–	**–**	1,015	**–**	1,015
– convertible bonds	**2,511**	9,639	**3,624**	22,923	**6,135**	32,562
– unsecured promissory note	**–**	–	**–**	912	**–**	912
	3,716	11,181	**3,624**	25,984	**7,340**	37,165

6. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:						
Staff costs (excluding Directors' emoluments):						
– Wages and salaries	**30,228**	23,878	**1,153**	3,915	**31,381**	27,793
– Retirement benefits scheme contributions	**457**	376	**10**	42	**467**	418
Total staff costs	**30,685**	24,254	**1,163**	3,957	**31,848**	28,211
Cost of inventories sold *(Note a)*	**39,464**	34,261	**758**	19,348	**40,222**	53,609
Auditors' remuneration						
– Provide for the year	**1,769**	1,994	**–**	2,741	**1,069**	4,735
– (Over) underprovision in prior year	**42**	(37)	**–**	(24)	**42**	(61)
Depreciation of property, plant and equipment *(Note b)*	**15,882**	15,817	**50**	2,083	**15,932**	17,900
Amortization of prepaid lease payments	**–**	–	**–**	64	**–**	64
Impairment loss on goodwill	**63,964**	956,159	**–**	105,044	**63,964**	1,061,203
Impairment loss on other intangible assets	**14,174**	–	**–**	–	**14,174**	–
Impairment loss on available-for-sale financial assets	**7,693**	–	**–**	–	**7,693**	–
Gain on disposal of a subsidiary	**(5,810)**	–	**–**	–	**(5,810)**	–
Loss on disposal of available-for-sale financial assets	**6,436**	–	**–**	–	**6,436**	–
Minimum lease payments under operating leases:						
– Land and buildings	**7,300**	6,085	**91**	246	**7,391**	6,331
Loss (gain) on disposal of property, plant and equipment	**1,431**	(3,208)	**–**	–	**1,431**	(3,208)
Allowances for doubtful receivable	**8,664**	551	**–**	–	**8,664**	551
Amortisation of other intangible assets	**1,073**	765	**–**	–	**1,073**	765
(Gain) loss on changes in fair value of derivative financial instruments *(Note c)*	**(1,666)**	37,150	**–**	–	**(1,666)**	37,150
Bad debts written off	**526**	198	**–**	–	**526**	198
Inventories written off	**132**	7	**–**	–	**132**	7
Exchange (gains) losses, net	**3,122**	(51)	**3**	33	**3,125**	(18)

Note a: For the year ended 30 June 2011, cost of inventories included approximately of HK$1,415,000 (2010: HK$1,931,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above in note 11 for each of these types.

Note b: Included in the depreciation of approximately HK$15,932,000 (2010: HK$17,900,000) was an amount of approximately HK$1,415,000 (2010: HK$1,931,000) capitalized in cost of inventories sold during the year. The amount of approximately HK$1,415,000 (2010: HK$1,931,000) was included in cost of inventories sold of approximately HK$40,222,000 (2010: HK$53,609,000).

Note c: Arising from convertible bonds, please refer to note 17.

7. INCOME TAX EXPENSES

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

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
Current year						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**4,349**	2,233	**10**	17,746	**4,359**	19,979
	4,349	2,233	**10**	17,746	**4,359**	19,979
Under (over) provision in prior years						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– Other jurisdictions	**(32)**	47	**–**	–	**(32)**	47
	(32)	47	**–**	–	**(32)**	47
Income tax expenses charged for the year	**4,317**	2,280	**10**	17,746	**4,327**	20,026

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:

	2011	2010
	HK$'000	*HK$'000*
Profit (Loss) before taxation:		
Continuing operations	**(105,923)**	(1,030,047)
Discontinued operations	**178,414**	41,788
	72,491	(988,259)
Tax at the Hong Kong Profits Tax rate	**11,961**	(163,062)
Tax concession	**(437)**	–
Tax effect of expenses that are not deductible for tax purposes	**3,556**	170,601
Tax effect of income that is not taxable for tax purposes	**(21,325)**	(18,585)
Tax effect of tax losses not recognized	**10,494**	14,125
Tax effect of utilization of tax losses previously not recognized	**(1,237)**	(877)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,082**	17,777
Others	**265**	–
Tax effect of under (over) provision in prior years	**(32)**	47
Income tax expenses	**4,327**	20,026

Note: The applicable tax rate for Hong Kong is 16.5% (2010: 16.5%) and applicable tax rate in the PRC is 22-25% (2010: 20-25%).

At the end of the reporting period, the Group has unused tax losses of approximately HK$69,936,000 (2010: HK$96,181,000) 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$28,075,000 (2010: HK$25,114,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Deductible temporary differences:		
Unutilized tax losses	**69,936**	96,181
Other	**4,563**	17,718
Accelerated tax allowances	**729**	156
Taxable temporary differences:		
Accelerated tax allowances	**–**	–
	75,228	114,055

8. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2011, nor has any dividend been proposed since the end of reporting date (2010: Nil).

9. DISCONTINUED OPERATIONS

By an announcement of the Company issued on 17 September 2010, the Directors of the Company had intention to dispose the Group's remaining equity interest in Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) ("HK Life") and HK Life ceased to be an indirect non wholly-owned subsidiary of the Company. In this regard, HK Life is considered to be a disposal group.

The combined results and cash flows of the discontinued operations due to deconsolidated of HK Life (2010: disposal of distribution of natural gas business and profit sharing right on oil field) included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below:

	From 1 July 2010 to Date of Deconsolidated	From 1 July 2009 to Date of Disposal
	HK$'000	*HK$'000*
Profit for the year from discontinued operations		
Revenue	**5,666**	23,333
Expenses	**(10,591)**	(67,493)
Impairment on goodwill	**–**	(105,044)
Gain on deconsolidation of a subsidiary	**183,339**	–
Gain on disposal of jointly controlled entities	**–**	180,888
Gain on termination of profit sharing right on oil field	**–**	10,104
Profit before taxation	**178,414**	41,788
Income tax expenses	**(10)**	(17,746)
Profit for the year from discontinued operations	**178,404**	24,042
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	**81,857**	(58,503)
Net cash (outflows) inflows from investing activities	**(76,148)**	322,043
Net cash outflows from financing activities	**(323)**	(296,668)
Net cash inflows (outflows)	**5,386**	(33,128)

10. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to the equity holders of the Company	**61,439**	(1,047,777)

Number of shares

	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,213,866**	3,211,894
Effect of dilutive potential ordinary shares:		
Warrants	**19,490**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**3,233,356**	3,211,894

From continuing operations

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

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) for the year attribute to equity holders of the Company	**61,439**	(1,047,777)
Less: Profit for the year attributable to equity holder of the Company from discontinued operations	**178,404**	24,042
Loss for the purpose of basic loss per share from continuing operations	**(116,965)**	(1,071,819)

No diluted loss per share has been presented for the year ended 30 June 2010, as outstanding share options, warrants and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per shares.

From discontinued operations

Basic earnings per share from discontinued operations is HK5.55 cents per share (2010: Basis earnings per share HK0.75 cents per share), based on the profit for the year from the discontinued operations of approximately HK$178,404,000 (2010: profit of approximately HK$24,042,000) and the denominators detailed above for basic earnings (loss) per share.

Diluted earnings per share from discontinued operations is HK5.52 cents per cents (2010: N/A), based on the profit for the year from the discontinued operations of approximately HK$178,404,000 (2010: profit of approximately HK$24,042,000) and weight average number of ordinary shares for the purpose of diluted earnings (loss) per share.

No diluted loss per share has been presented for the year ended 30 June 2010, 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	Furniture, fixtures and equipment	Plant and machinery	Leasehold improvement	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 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 and 1 July 2010	1,297	21,227	51,714	3,559	7,824	4,740	90,361
Additions	–	914	1,807	369	342	51	3,483
Disposal	–	(4,315)	–	–	(564)	(1)	(4,880)
Reclassification	–	(144)	–	–	–	144	–
Exchange realignment	63	1,107	2,513	209	293	209	4,394
At 30 June 2011	1,360	18,789	56,034	4,137	7,895	5,143	93,358
DEPRECIATION							
At 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 disposal	(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 and 1 July 2010	150	7,945	29,961	2,370	3,616	3,847	47,889
Charged for the year	41	3,921	9,657	539	1,457	267	15,882
Eliminated on disposal	–	(2,849)	–	–	(296)	(1)	(3,146)
Reclassification	–	(144)	–	–	–	144	–
Exchange realignment	8	501	1,691	165	195	186	2,746
At 30 June 2011	199	9,374	41,309	3,074	4,972	4,443	63,371
NET BOOK VALUES							
At 30 June 2011	1,161	9,415	14,725	1,063	2,923	700	29,987
At 30 June 2010	1,147	13,282	21,753	1,189	4,208	893	42,472

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

At 30 June 2011, none of the Group's property, plant and equipment was held under finance lease (2010: Nil).

12. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials and consumables	**3,354**	3,018
Finished goods	**951**	879
At 30 June	**4,305**	3,897

All inventories are stated at cost.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**16,504**	13,432
Other receivables and prepayments	**23,443**	17,023
	39,947	30,455
Less: Allowances for doubtful receivable	**(10,012)**	(6,118)
At 30 June	**29,935**	24,337

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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**13,763**	6,469
31 to 60 days	**38**	1,573
61 to 365 days	**1,491**	4,258
Over 1 year	**1,212**	1,132
	16,504	13,432

The trade receivables with carrying amount of HK$11,515,000 (2010: HK$9,838,000) 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 2011, the Group made an allowance of Nil (2010: HK$551,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Balance at the beginning of the year	**6,118**	5,517
Charged for the year – trade receivables	**–**	551
Amount recovered during the year – trade receivables	**(95)**	–
Amount written off on disposal of a subsidiary	**(4,675)**	–
Charged for the year – other receivables	**8,664**	–
Exchange adjustments	**–**	50
Balance at the end of the year	**10,012**	6,118

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$3,989,000 (2010: HK$2,504,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

The fair value of the Group's trade receivables as at 30 June 2011 approximates to the corresponding carrying amount.

14. NON-CURRENT ASSETS HELD FOR SALE

	2011	2010
	HK$'000	*HK$'000*
Assets classified as held for sale	**–**	1,079,773
Liabilities associated with assets classified as held for sales	**–**	375,041
Non-controlling interests	**–**	408,231
Net assets classified as held for sales	**–**	296,501
Reserve classified as held for sales	**–**	441,190
		(Note a)

Note a: By an announcement made by the Company on 17 September 2010, the Company had intention to dispose of its equity interest in HK Life, 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 HK Life 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 HK Life business associated with assets classified as held sale	375,041
Non-controlling interests	408,231
Net assets of HK Life business classified as held for sale	296,501
Translation reserve	4,430
Convertible bonds reserve	269,883
Capital reserve	166,877
Reserve of HK Life 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. HK Life 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 then subsidiary of the Company, HK Life 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 HK Life 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"). HK Life 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
	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 HK Life	(159,798)
Imputed finance costs	2,555
Non-current liability component as at the end of the reporting period	252,672

15. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**17,888**	7,912
Accrued liabilities and other payables	**13,357**	21,795
At 30 June	**31,245**	29,707

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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**2,566**	2,412
31 to 120 days	**8,106**	1,925
121 to 180 days	**1,947**	2,680
181 to 365 days	**4,978**	647
Over 1 year	**291**	248
At 30 June	**17,888**	7,912

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2011 approximates to the corresponding carrying amount.

16. BANK AND OTHER BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Bank loan, secured *(Note a)*	**5,000**	–
Other loans, unsecured *(Note b and c)*	**45,827**	12,100
Bank overdraft, secured *(Note d)*	**9,578**	8,251
Unsecured promissory note	**–**	87,205
Less: Reclassified as held for sale *(Note 14)*	**–**	(87,205)
At 30 June	**60,405**	20,351

Note:

(a) Bank loan of HK$5,000,000 (2010: Nil) is interest bearing at 2.5% per annum over 12-Month Hong Kong Interbank Offered Rate ("HIBOR"), secured by guarantee issued by bank and repayable in next twelve months.

(b) Other loans of approximately HK$38,887,000 (2010: HK$5,000,000) is non-interest bearing, unsecured and repayable on demand.

(c) Other loans of approximately HK$6,940,000 (2010: HK$7,100,000) is unsecured, non-interest bearing (2010: interest bearing at 4% per annum) and repayable on demand.

(d) Bank overdraft of approximately HK$9,578,000 (2010: HK$8,251,000) is interest charged at 7% per annum, secured by pledged bank deposit and corporate guarantee by the Company.

Borrowings are repayable as follows:

	2011	2010
	HK$'000	*HK$'000*
On demand or within one year	**60,405**	20,351
Less: Amount shown under non-current liabilities	**–**	–
Amount shown under current liabilities	**60,405**	20,351

17. CONVERTIBLE BONDS

(a) Convertible bonds I

On 22 November 2006, the subsidiary of the Company, Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) 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 was early redeemed during the year ended 30 June 2010 .

Detail of the convertible bonds were as follows:

	2011	2010
	HK$'000	*HK$'000*
Nominal value of convertible bonds issued	–	234,000
Equity component	–	(10,712)
Liability component at the issuance date	–	223,288
Interest paid	–	(5,850)
Imputed finance costs	–	106,174
Early redemption	–	(323,612)
Non-current liability component as at the end of the reporting period	–	–

(b) Convertible bonds II

The Company adhered the convertible bonds issued by its wholly-owned subsidiary, Grand Promise International Limited ("GPIL Bonds" and "GPIL" respectively) on 11 April 2008 with a principal amount of US$35,000,000. The convertible bonds are denominated in United States Dollar.

The convertible bonds contain two components: liability component and conversion option derivative. The conversion option derivative is measured at fair value with changes in fair value recognized in profit and loss.

Detail of principal valuation parameters have been applied in determining the liability component and conversion option derivative of GPIL Bonds as at 30 June 2011 was summarized as follows:

(a)	Principal amount:	US$925,000
(b)	Principal repayment:	141.06% of principal amount
(c)	Coupon rate:	0%
(d)	Date of maturity:	28 November 2012
(e)	Discount rate:	16.38%
(f)	Conversion price:	HK$0.8
(g)	Risk-free rate:	0.20%
(h)	Expected volatility:	80.39%
(i)	Expected dividend yield:	0%

Fair value of conversion option derivative as at 30 June 2011 was valued by an independent professional valuer.

With regards to the GPIL Bonds, the Group and the GPIL Bond holders have undergone a series of amendments and undertaking during Year 2011 in order to give all parties adequate time to reach acceptable restructuring terms.

GPIL Bond previously issued to Liberty Harbor Master Fund I, L.P. ("LH GPIL Bond")

On 29 July 2010, the LH GPIL Bonds with an outstanding principal amount of US$1,850,000 was sold to Tarascon Asia Absolute Fund (Cayman) Limited ("Tarascon" and "TA GPIL Bonds" respectively). As a result of GPIL, Precise Result Profits Limited ("Precise Result") and the Company provided certain undertakings to Tarascon, including payment of step up fees, pledging of shares in HK Life and the issuance of 10,000,000 warrants, Tarascon undertook not to exercise the redemption option until 31 December 2010. On 30 December 2010, the TA GPIL Bond with an outstanding principal amount of US$925,000 was sold to Capital Day Investments Limited ("Capital Day" and "CD GPIL Bond" respectively). As a result of GPIL and the Company provided certain undertakings to Capital Day, including payment of step up fees, Capital Day undertook not to exercise the redemption option until 28 November 2012, being the maturity date of the CD GPIL Bond.

GPIL Bond previously issued to Evolution Master Fund Ltd. SPC ("Evo M Fund" and "EMF GPIL Bond" respectively)

As a result of GPIL, Precise Result and the Company provided certain undertakings to Evo M Fund, including payment of step up fees, pledging of shares in HK Life and the issuance of 30,000,000 warrants, Evo M Fund undertook not to exercise the redemption option until 31 December 2010. On 30 December 2010, the EMF GPIL Bond with an outstanding principal amount of US$2,114,000 was sold to Evo Fund ("Evo Fund" and "EF GPIL Bond" respectively). As a result of GPIL, Precise Result and the Company provided certain undertakings to Evo Fund, including payment of step up fees, pledging of shares in HK Life and the issuance of 30,000,000 warrants, and Best Frontier Investments Limited (being a substantial shareholder of the Company) pledging a total of 1,010,022,757 shares of the Company to Evo Fund ("BF Pledge"), Evo Fund undertook not to exercise the redemption option until 31 March 2011. On 23 February 2011 the EF GPIL Bond was redeemed in full and the BF Pledge was terminated.

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 *HK$'000*	**Liability component** *HK$'000*
At 1 July 2010	17,722	63,089
Imputed finance cost	–	2,511
Interest paid	(2,805)	(10,453)
Exchange differences	–	451
Changes in fair value	(1,666)	–
Early redemption	(13,108)	(47,413)
At 30 June 2011	143	8,185
	(Note a)	*(Note b)*

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

Note b: Total of approximately of HK$8,185,000 (2010: approximately HK$63,089,000) is recorded as non-current liabilities.

18. GOODWILL

	Entertainment VAS services	Lottery-related services	Boxes for storage of deceases cremated ashes and other ancestral business	Gas related	Profit sharing on oil field	Trading of edible oil	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 July 2009	2,016,496	94,431	–	105,189	31,761	3,361	2,251,238
Acquisition of a subsidiary	–	–	904,550	–	–	–	904,550
Reclassified as held for sale	–	–	(904,550)	(105,189)	–	–	(1,009,739)
At 30 June 2010 and At 1 July 2010	2,016,496	94,431	–	–	31,761	3,361	2,146,049
Eliminated on deconsolidation of a subsidiary	–	–	–	–	(31,761)	(3,361)	(35,122)
Acquisition of a subsidiary	–	44	–	–	–	–	44
At 30 June 2011	2,016,496	94,475	–	–	–	–	2,110,971
IMPAIRMENT							
At 1 July 2009	–	–	–	145	31,761	3,361	35,267
Impairment loss recognized for the year	956,159	–	–	105,044	–	–	1,061,203
Reclassified as held for sale	–	–	–	(105,189)	–	–	(105,189)
At 30 June 2010 and At 1 July 2010	956,159	–	–	–	31,761	3,361	991,281
Eliminated on deconsolidation of a subsidiary	–	–	–	–	(31,761)	(3,361)	(35,122)
Impairment loss recognized for the year	63,964	–	–	–	–	–	63,964
At 30 June 2011	1,020,123	–	–	–	–	–	1,020,123
CARRYING VALUES							
At 30 June 2011	**996,373**	**94,475**	**–**	**–**	**–**	**–**	**1,090,848**
At 30 June 2010	1,060,337	94,431	–	–	–	–	1,154,768

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 2011, the Group recognized an impairment loss of approximately HK$63,964,000 (2010: approximately HK$1,061,203,000) in relation to goodwill arising on Entertainment VAS services business.

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.

On 22 June 2011, a joint venturer of Entertainment VAS services business started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity for operation of Entertainment VAS services business. The management consider that the arbitration may have impact of the business in coming few years by affecting the growth rate of the business. Impairment loss of goodwill recognized accordingly.

The key assumption used for cash flow projections for the provision of Entertainment VAS Services and provision of lottery-related services are as follows:

(a) Provision of Entertainment VAS Services

			Year		
	2012	**2013**	**2014**	**2015**	**2016**
Growth rate	50%	90%	140%	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 2017 to 2018 and 10%-15% from year 2019 to year 2021 and thereafter the estimated growth rate is 2% per annum.

(b) Lottery-related services

			Year		
	2012	**2013**	**2014**	**2015**	**2016**
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%.

19. 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:

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**12,363**	19,621
Post-employment benefits	**99**	116
Termination benefits	**–**	400
	12,462	20,137

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

20. EVENTS AFTER REPORTING PERIOD

By an agreement dated 15 April 2011, the Group acquired 49% equity interest and 1% equity interest from the non-controlling interests of Cheerfull Group Holdings Limited and Shenzhen Longjiang Feng Cai IT Co., Limited at a consideration of HK$27,200,000 and HK$300,000 respectively. The acquisitions were completed on 14 July 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The Group achieved operating revenue of HK$113 million, a year-on-year increase of 16% from Year 2010. Profit attributable to equity holders for Year 2011 was HK$61 million, representing a significant turnaround and improvement as compared with the loss of HK$1 billion in Year 2010. Profit for the year was mainly contributed by the operating profits from the lottery-related operations and the net gain recognized from the disposal of investment in Hong Kong Life Group Holdings Limited, partially offset by the non-recurring expenses of HK$86 million including impairment losses on goodwill and intangible assets.

Net Profit	**2011** ***HK'000***	2010 *HK'000*	Improved *HK'000*
Profit (loss) attributable to equity holders	**61,439**	(1,047,777)	1,109,216

The Group's operating revenue from continuing operations increased by 16% in Year 2011 to HK$113 million, 53% of the Group's revenue was derived from the lottery-related business which increased by 14% to HK$ 60 million as compared to Year 2010.

Entertainment VAS operations contributed to another 41% of the Group's operating revenue and increased by 11% to HK$46 million in Year 2011.

Revenue	**2011** ***HK'000***	2010 *HK'000*	Change
Lottery-related	**60,054**	52,777	14%
Entertainment VAS	**45,874**	41,415	11%
Others	**6,806**	3,318	105%
	112,734	97,510	16%

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

	2011		2010		Change	
Gross Profit	**Gross Profit *HK'000***	**Gross Profit Ratio**	Gross Profit HK'000	Gross Profit Ratio	Gross Profit	Gross Profit Ratio
Lottery-related	**54,913**	**91%**	48,218	91%	14%	–
Entertainment VAS	**17,477**	**38%**	15,057	36%	16%	2%
Others	**880**	**13%**	(26)	n/a	n/a	n/a
	73,270	**65%**	63,249	65%	16%	–

The Group's gross profit increased by 16% in Year 2011 to HK$73 million. The Group's gross profit ratio remained at 65%.

The Group's operating costs from continuing operations, comprising selling and distribution costs and administrative expenses, increased by 6% to HK$109 million.

In addition, the Group recorded impairment loss of goodwill of HK$64 million in Year 2011 (2010 : HK$956 million) in relation to goodwill arising from the acquisition of GPIL and other impairment loss of HK$22 million (2010: nil).

Having paid down the outstanding convertible bonds down to about HK$8 million from HK$81 million, the finance costs for Year 2011 reduced significantly by 67% to HK$4 million from HK$11 million recorded in Year 2010.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

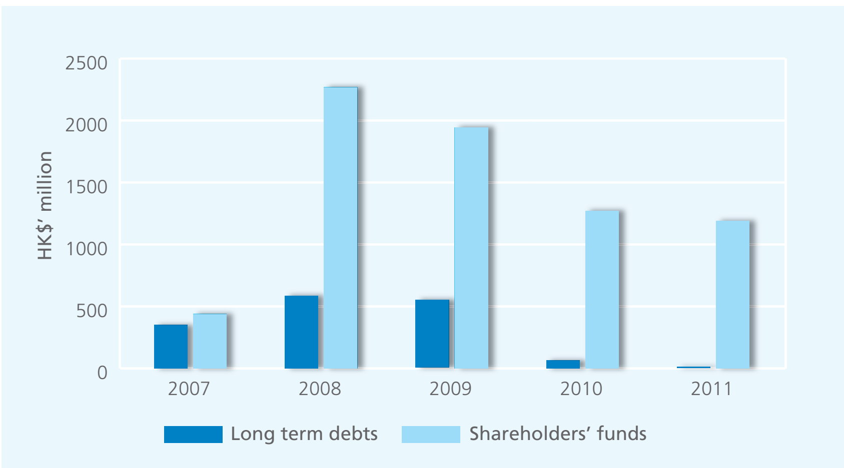
As at 30 June 2011, shareholders' funds excluding assets and liabilities classified as held for sale amounted to HK$1.2 billion (2010: HK$1.3 billion). Current assets excluding assets classified as held for sale amounted to HK$108 million (2010: HK$130 million), mainly comprising of bank balances and cash, trade and other receivables and prepayments.

The Group had current liabilities excluding liabilities classified as held for sale amounting to HK$93 million (2010: HK$68 million) mainly comprising of its trade and other payables, derivative financial instruments bank and other borrowings. In particular, the Group has bank borrowings of about HK$15 million (2010: HK$8 million).

The Group financed its operations primarily with internally generated cash flows, and banking facilities granted by banks.

The net asset value per share of the Group excluding assets and liabilities classified as held for sale was about HK$0.4 (2010: about HK$0.4).

The gearing ratio of the Group was 0.7% (2010: 5.0%) on the basis of non-current liabilities divided by shareholders' funds excluding assets and liabilities classified as held for sale.



	2011	2010	2009	2008	2007
Gearing Ratio	**0.7%**	5.0%	27.9%	25.8%	79.7%

CONVERTIBLE BONDS

During Year 2011, the Company and the holders of the convertible bonds, from time to time, issued by Grand Promise International Limited ("GPIL Bonds" and "GPIL" respectively), a wholly-owned subsidiary of the Group, entered into various amendment and undertaking agreements for the repayment and restructuring of the amount payable under the GPIL Bonds. A total of HK$74 million was repaid during Year 2011 and the outstanding principal amount of the GPIL Bonds as at 30 June 2011 were US$ 925,000.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no contingent liabilities (as at 30 June 2010: nil).

CHARGES ON GROUP ASSETS

As at 30 June 2011, the Group has pledged all of the issued and outstanding shares of Birdview Group Limited together with all proceeds in favour of the holders of the GPIL Bonds.

As at 30 June 2011, the Group has pledged its bank deposits of about HK$5 million (30 June 2010: HK$5 million) to a bank to secure the general banking facilities granted to the Group.

WARRANTS

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 then holders of the GPIL Bonds expiring on 26 August 2011, which were exercised in full subsequent to Year 2011 in August 2011.

On 11 January 2011 the Company issued 30,000,000 warrants at the exercise price of HK$0.168 per share to the then holder of the GPIL Bonds expiring on 11 January 2012. During the year, 10,000,000 warrants have been exercised.

CAPITAL STRUCTURE

During the year ended 30 June 2011, 10,000,000 shares were issued due to the exercise of warrants and nil share was cancelled due to repurchase of shares by the Company. As of 30 June 2011 the Company has in issue a total of 3,221,893,839 ordinary shares with a par value of HK$0.01 each (2010: 3,211,893,839 ordinary shares).

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 ("HKD"), Renminbi ("RMB") or United States dollar ("USD"). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, 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.

SIGNIFICANT INVESTMENTS

For the year ended 30 June 2011, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 17 September 2010 the Group announced that it was seeking approval from the shareholders to dispose up to 420,596,428 shares of Hong Kong Life Group Holdings Limited ("HKLG", formerly known as Aptus Holdings Limited), representing the entire interest of the Group in HKLG. As a result of such, the Group also announced that with effect from 17 September 2010, HKLG ceased to be an indirect non wholly-owned subsidiary of the Group.

On 15 March 2011 the Group announced the acquisition of an effective 30% equity interest in China Culture Development Co., Ltd., for an aggregate consideration of HK$ 240 million. As of the date of this announcement the transaction has not been completed.

On 15 April 2011 the Group announced the acquisition of the remaining 49% in Cheerfull Group Holdings Limited for a total consideration of HK$27.2 million. Further, Shenzhen Bozone I.T. Co. Ltd. agreed to purchase 1% equity interest of Shenzhen Longjiang Feng Cai I.T. Co. Ltd. for a consideration of HK$300,000. The transactions were completed in July 2011.

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 2011.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2011, the Company and its subsidiaries employed 30 staff in Hong Kong (2010: 30), and 176 staff in the PRC (2010: 148); and the Group's jointly controlled entities employed 564 staff in the PRC (2010: 515). Staff costs from continuing operations excluding directors' remuneration amounted to about HK$31 million (2010: about HK$24 million). 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.

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

Neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2011.

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 is committed to maintaining high standard corporate governance practices. 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.

The Company has met all the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") in the year ended 30 June 2011 ("Year 2011") except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three (3) years in accordance with the articles of association ("Articles") of the Company.

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 on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code.

The primary duties of the audit committee are to review the Company's annual report and accounts, semi-annual report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times each year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee currently comprises four Independent Non-executive Directors of the Company, namely, Mr. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond.

The audit committee reviewed the Group's audited results for the year ended 30 June 2011 with management and the Company's external auditors and recommended its adoption by the Board.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2011.

EVENTS AFTER REPORTING PERIOD

Details of the significant events after reporting period of the Group are set out in note 20 to the financial statement.

By order of the Board
China Vanguard Group Limited
眾彩科技股份有限公司*
Chan Ting
Executive Director and Chief Executive Officer

Hong Kong, 27 September 2011

* *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 Ting, Ms. Chan Siu Sarah, Mr. Chan Tung Mei and Mr. Lau Hin Kun; and four independent non-executive directors, being Mr. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai 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.