



NEPTUNE GROUP LIMITED  
海王國際集團有限公司

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

ANNUAL REPORT 2012





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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors:

Mr. Lin Cheuk Fung (*Chairman*)  
Mr. Nicholas J. Niglio  
Mr. Chan Shiu Kwong, Stephen  
Mr. Lau Kwok Hung

### Independent non-executive directors:

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

## COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen  
(Appointed on 27 August 2012)  
Mr. Lau Kwok Hung  
(Resigned on 27 August 2012)

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Lin Cheuk Fung (*Chairman*)  
Mr. Cheung Yat Hung, Alton  
Mr. Yue Fu Wing

## AUDITOR

CCIF CPA Limited  
34/F, The Lee Gardens  
33 Hysan Avenue,  
Causeway Bay, Hong Kong

## PRINCIPAL BANKERS

Bank of Communications Company Limited  
Chong Hing Bank Limited

## LEGAL ADVISORS

Robertsons Solicitors & Notaries

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

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

## E-MAIL

enquiry@neptune.com.hk

## STOCK CODE

00070

# Group Financial Summary

## RESULTS (HK\$'000)

	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2012
Turnover (including continuing and discontinued operations)	<u>390,767</u>	<u>463,268</u>	<u>411,965</u>	<u>438,787</u>	<u>435,377</u>
(Loss)/profit attributable to equity shareholders of the Company	<u>(149,514)</u>	<u>42,590</u>	<u>66,645</u>	<u>201,133</u>	<u>282,930</u>
(Loss)/earnings per share (HK cents)					
– basic	<u>(5.61)</u>	<u>1.11</u>	<u>1.73</u>	<u>5.23</u>	<u>7.35</u>
– diluted	<u>(5.61)</u>	<u>1.14</u>	<u>0.08</u>	<u>5.23</u>	<u>7.35</u>

## ASSETS AND LIABILITIES (HK\$'000)

	As at 30 June 2008	As at 30 June 2009	As at 30 June 2010	As at 30 June 2011	As at 30 June 2012
Property, plant and equipment	142,880	120,808	103,527	107	<b>62</b>
Investment properties	30,500	31,527	38,760	32,800	–
Interest in an associate	148,617	133,928	49,724	46,465	<b>46,344</b>
Intangible assets	2,016,793	1,754,993	1,491,593	1,444,493	<b>1,444,493</b>
Other non-current assets	15,145	10,483	10,483	10,438	<b>40,438</b>
Net current assets	<u>379,037</u>	<u>251,290</u>	<u>217,390</u>	<u>273,439</u>	<u><b>408,091</b></u>
Total assets less current liabilities	2,732,972	2,303,029	1,911,477	1,807,742	<b>1,939,428</b>
Convertible notes	685,393	492,440	114,937	21,482	–
Deferred tax liabilities	<u>50,089</u>	<u>32,317</u>	<u>9,161</u>	<u>2,301</u>	<u>–</u>
Net assets	<u>1,997,490</u>	<u>1,778,272</u>	<u>1,787,379</u>	<u>1,783,959</u>	<u><b>1,939,428</b></u>
Share capital	769,449	769,449	38,472	38,472	<b>38,472</b>
Reserves	<u>536,446</u>	<u>364,626</u>	<u>969,441</u>	<u>1,153,348</u>	<u><b>1,382,097</b></u>
Equity attributable to equity shareholders of the Company	1,305,895	1,134,075	1,007,913	1,191,820	<b>1,420,569</b>
Non-controlling interests	<u>691,595</u>	<u>644,197</u>	<u>779,466</u>	<u>592,139</u>	<u><b>518,859</b></u>
Total equity	<u>1,997,490</u>	<u>1,778,272</u>	<u>1,787,379</u>	<u>1,783,959</u>	<u><b>1,939,428</b></u>
Shareholder's funds					
– NBV per share (HK\$)	<u>0.34</u>	<u>0.29</u>	<u>0.26</u>	<u>0.31</u>	<u><b>0.37</b></u>



# Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report and financial results of Neptune Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2012.

## **CONTINUING BUSINESS REVIEW**

The past year has provided the company a deep and introspective look into its business model. Euphoric analysis of past was replaced by a more pragmatic approach. Such spectacular growth of the Macau market has been in part stalled. Visionaries predicating unrealistic growth have been keen to quickly recant such high teen double digit index. A more achievable single digit to low teen benchmark is now voiced. Yet the company has been remarkably distanced from the impact of such market adjustment. Fiscal prudence displayed for the past four years has earned the company fiscal recognition. Year over year comparisons show clearly amazing turnover velocity close to being near double. There are few who can lay stake to this claim. By year's end we will catapult our prior investment in Macau many fold. This opens the new fiscal year to possible earnings never reached by the company before.

Midyear, the company disclosed to its shareholders our intentions to accelerate our investments in Macau. Having a three position stake will now dramatically increase to a six position stake. Three Memorandums of Understanding (MOU) have recently been signed to reach this goal. The addition of the three new casinos in Macau will certainly increase the company's profit stream through a steady participation in their turnover. As important, the company's increased commitment to the gaming industry in Macau expands the overall Brand awareness we strive to promote.

As part of the company's long term vision certain financial consultants will be retained throughout the coming years. Their services, though varied, have one common goal: to guide the company through the labyrinth of the financial markets. Careful planning for growth requires capitol diligently obtained. The expertise they possess shall facilitate our growth providing the company with clear direction. We intend to explore all available avenues to decide the correct path. A missed opportunity is a lost opportunity.

## **BUSINESS REVIEW AND LOOKING FORWARD STATEMENT**

As serious as we take our core business for, we will continue to apply this vigilance to other opportunities of investment. Consequently, one could expect a small portion of diversification to be established in the coming year. An area of keen interest is and has been the real estate market in both Hong Kong and China. We are preparing ourselves now for an upgraded analysis of these markets. If we are certain all our conditions for shareholder value are met then action will initiate. We fully expect these type diversifications shall integrate nicely with our core business. The right mix of investments is firmly within our grasp.

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

Business interruption and distraction through competition is always a concern of the Company. History has proven that such completion is the most relevant threat to any gaming jurisdiction. Happily, as of this writing no current or proposed threat is on the horizon. Though many Asian tourist destinations are contemplating such endeavors, none will interfere with our business plan. Convenience is paramount to the typical Asian consumer. Macau offers this. Distance demographics and multi branding continue to protect the future of this country. This protection overlaps onto the company. We walk hand and hand into 2013.

## **ACKNOWLEDGEMENT**

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

### **Lin Cheuk Fung**

*Chairman of the Board*

Hong Kong, 18 September 2012





# Management Discussion and Analysis

## **BUSINESS OVERVIEW**

The audited net profit of the Group for the year ended 30 June 2012 amounted to approximately HK\$442,152,000 (2011: HK\$367,824,000).

Underlying revenues grew 4.5% supported by excellent performance of the investments in junket gaming industry. Riding on the increasing traffic of mainland visitors and their rising wealth, the Macau gaming market experienced another fruitful year. The Group continued to be well positioned to take advantage of the growing VIP gaming market and achieved remarkable growth during the year. Leveraging on the good reputation and service quality of our junket partners, prime location and fabulous decorations of the VIP rooms in top class casinos in Macau, the Group's segment profit from investments in gaming and entertainment surged by 14.2% to approximately HK\$443,189,000 (2011: HK\$388,114,000).

In order to be more focused on the proven successful investments in junket gaming operations, the Group completed the disposals of cruise ship and investment properties in August 2011 and December 2011, respectively. Moreover, the Group has committed two investments in January 2012 and June 2012 to expand the stakes of profit sharing in the VIP tables operated by the current junket partners. Despite the discontinuation of cruise ship business, the Group was able to deliver profit attributable to equity shareholders of approximately HK\$282,930,000 (2011: HK\$201,133,000) surged by 40.7%.

## **GAMING AND ENTERTAINMENT RELATED BUSINESS**

The Group has invested in junket gaming operations at 51 VIP gaming tables at 3 casinos in Macau, namely The Venetian, Sands Macao and Galaxy StarWorld. The VIP tables are located as to 16 in The Venetian, 12 in Sands Macao and 23 Galaxy StarWorld.

During the year ended 30 June 2012, the Group continued to benefit from the growing size of the VIP gaming market. The aggregate rolling chips turnover generated within the Group's table network has reached approximately HK\$433,377,000, representing a 4.5% growth over the same period of last financial year. Investing in gaming and entertainment segment have contributed more than 90% of the Group's net profit.

# Management Discussion and Analysis

## Revenues

Our revenues consisted of the following:

	Year ended 30 June		Change in %
	2012	2011	
	(HK\$ in Millions)		
Commissions generated in			
VIP rooms in The Venetian	<b>248.8</b>	220.2	12.9%
VIP rooms in Galaxy StarWorld (Not yet included share of revenue from an associate)	<b>24.4</b>	22.9	6.5%
VIP rooms in Sands Macao	<b>160.1</b>	171.7	-6.7%

Looking forward, the fundamentals of Macau's gaming industry continue to remain positive. The growth in gaming promotion industry will be sustained in demand for the growing wealth and increasing penetration in Mainland China. The management is committed to an expansionary strategy by investing in more junket gaming locations. On 6 August 2012, the Group has announced that it has entered into Memorandums of Understanding in relation to possible investments in gaming business. The management values the potential investments as opportunities to further enhance the earnings capacity and expand the coverage in both casinos and VIP tables. The Group will adhere to the development strategy centered on consolidation of profit shared from existing table network and exploration into new investment opportunities in operations which all geared towards achieving sustainable growth.

## FINANCIAL REVIEW

For the financial year ended 30 June 2012, the Group recorded a turnover of approximately HK\$433,377,000 (2011: HK\$414,787,000) which showed an increase of 4.5% compared to same period in last year.

A profit attributable to equity shareholders was approximately HK\$282,930,000 or 7.35 cents for a share, or compared with last year's net profit of approximately HK\$201,133,000 or 5.23 cents for a share.

Our earning before interest, taxes, depreciation and amortization (EBITDA) for the year ended 30 June 2012 was approximately HK\$442,374,000, an increase of approximately HK\$64,390,000, or 17.0% compared to approximately HK\$377,984,000 for year ended 30 June 2011.

An increase of EBITDA of approximately HK\$64.4 million is mainly attributable to the following reasons:

- the noticeable increase of commission from rolling turnover amounted to approximately HK\$18.6 million;
- no more impairment loss on intangible assets is called due to decent and fabulous growth in rolling turnover years over years as compare to last year which had approximately HK\$47.1 million in impairment loss of intangible assets;

# Management Discussion and Analysis

- c) this year we have gain on disposal of subsidiaries in amount of approximately HK\$4.58 million whereas last year there were fair value losses on investment properties and securities held for trading in an aggregate amount of approximately HK\$6.2 million;
- d) Significant reduction of finance cost to approximately HK\$0.2 million, decrease by approximately HK\$1.35 million as compare to last year;
- e) Net loss on redemption of convertible bond was reduced to approximately HK\$2.1 million, decreased by approximately HK\$6.9 million; and
- f) The abovementioned positive impact on EBITDA were partly offset by increase of general and administrative expenses by approximately HK\$0.5 million to approximately HK\$6.3 million as compare to last year.

## **DIVIDEND**

The directors of the Company do not recommend the payment of final dividend for the year ended 30 June 2012 (2011: Nil).

## **CAPITAL STRUCTURE**

As at 30 June 2012, the total issued share capital of the Company was HK\$38,472,445 divided into 3,847,244,500 ordinary shares of HK\$0.01 each.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group determined to shore up a strong cash position for future business development. As at 30 June 2012, total cash and bank balance were approximately HK\$119,503,000 as compared to approximately HK\$7,534,000 for same period in last year.

The Group had net current assets of approximately HK\$408,091,000 as at 30 June 2012 (2011: HK\$273,439,000).

There were no bank and other borrowings as at 30 June 2012 and 2011.

The equity of the Group as at year-end was approximately HK\$1,939,428,000 (2011: HK\$1,783,959,000). The gearing ratio, calculated on the basis of total liabilities over total equity of the Group as at 30 June 2012, was approximately 4.5% (2011: 11.7%).

As at 30 June 2012, the face value of total indebtedness amounted to approximately HK\$87.4 million (2011: HK\$204.7 million), comprising of dividend payable to non-controlling shareholders of approximately HK\$52.2 million, other payables of approximately HK\$19.5 million, interest payable of approximately HK\$8.7 million, and amount due to an associate of approximately HK\$7 million.

The huge increase of cash surplus make our Group's liquidity position becomes stronger and the Group is confident that sufficient resources could be secured to meet its working capital requirement.



# Management Discussion and Analysis

## PLEDGE OF GROUP'S ASSETS

As at 30 June 2012, no leasehold land and buildings of the Group were pledged to secure the bank facilities (2011: Nil).

## CONTINGENT LIABILITIES

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

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the Company's directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the years ended 30 June 2012 and 2011, there has been no significant progress.

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

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

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group adopt a conservative treasury policy with all bank deposits in either Hong Kong dollars or United States dollars, and most of Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2012, the Group did not have any foreign currency investments, which have been hedged by currency borrowings and other hedging instruments.

## CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK\$66,300,000 outstanding as at 30 June 2012 (2011: Nil).



# Management Discussion and Analysis

## **EMPLOYEES**

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

## **SUBSEQUENT EVENTS**

The following significant events took place subsequent to 30 June 2012:

- (i) In August 2012, a wholly-owned subsidiary of the Company entered into three separate memorandums of understanding in relation to possible investments in profit assignment from the gaming and entertainment related business in Macau.
- (ii) In August 2012, the Company entered into a sale and purchase agreement for acquisition of a property in Hong Kong for self-use as the principal office of the Company at a consideration of HK\$51,000,000 (excluding direct cost), of which HK\$26,000,000 was settled by cash and the remaining balance of HK\$25,000,000 was financed by mortgage loan, and the acquisition was completed on 30 August 2012.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year ended 30 June 2012, neither the Company nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Lin Cheuk Fung**, aged 39, was appointed as an executive director on 21 June 2005 and re-designated as the chairman of the Board of the Company on 8 June 2006. Mr. Lin has over 18 years or more experience in many business activities including property investments, entertainment business, casino operation, and securities business etc. Currently, he is a director of Yan Oi Tong in the year 2012, school board member of Yan Oi Tong Chan Wong Suk Fong Memorial Secondary School, Fellow member of Asian College of Knowledge Management; an honorable Vice President of Nanjing (HK) Association Limited, member of Hong Kong Commerce & Industry Association and a member of Hong Kong Chiu Chow Chamber of Commerce. The Board is of the view that Mr. Lin's extensive business experience is valuable to the Group and will be, in the long run, amenable of diversification into other business sector.

Formerly he was also a vice president and fellow member of Asian College of Knowledge Management in Year 2007-2008 and director of Yan Oi Tong in the 27th, 28th and 32nd anniversary.

**Mr. Nicholas J. Niglio**, aged 66, was appointed as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Through out all these years, he versed himself in management of all kinds of gaming activities and have proven success of his accomplishments.

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

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

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

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

**Mr. Chan Shiu Kwong, Stephen**, aged 56, was appointed as an executive director of the Company on 20 April 2005. Mr. Chan holds a Master degree in Professional Accounting from Hong Kong Polytechnic University and a Bachelor of Commerce from Curtin University Australia. He is currently a Fellow member of Hong Kong Institute of Certified Public Accountants and Fellow member of Certified Public Accountants (Australia); Fellow member of the Institute of Chartered Secretaries and Administrators, Fellow member of the Hong Kong Institute of Company Secretaries and affiliated member of American Society of Appraisers. He has completed a certificate course in PRC accounting and PRC tax law from Chinese University of Hong Kong.

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



## Biographical Details of Directors and Senior Management

**Mr. Lau Kwok Hung**, aged 66, was appointed as an executive director of the Company on 11 October 2001. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants. Formerly, he was also a fellow of Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 25 years of experience in accounting and finance, auditing, taxation, company secretarial practice and corporate finance.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Alton Cheung**, aged 49, was elected as an independent non-executive director on 5 June 2007. He has over 12 years business experience and is an elite of automobile dealer industry. At present he is currently holding directorship in a number of private companies which engaging in automobile distribution in PRC, China among most of the finest brand automobile in the world.

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

**Mr. Yue Fu Wing**, aged 44, was appointed as an independent non-executive director and a member of the audit committee of the Company on 15 January 2005. Mr. Yue is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr. Yue has over 10 years experience in accounting and finance. He has worked for a multinational company; a Hong Kong listed company and an international accounting firm.

**Mr. Chan Choi Kam**, aged 43, was appointed as an independent non-executive director and member of the audit committee of the Company on 24 February 2010. He received his education in Hong Kong and has over 15 years of accounting experience in general trading and shipping business.

### SENIOR MANAGEMENT

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

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2012, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code and Corporate Governance Report (taking effect from 1 April 2012) (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviations from Code Provisions A.4.1 and A.1.8 which are described below:

### A.4.1

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

### A.1.8

- An issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company is currently liaising with various insurance companies and will arrange insurance coverage for the directors of the Company (the "Directors") as soon as possible.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code during the year ended 30 June 2012.

## THE BOARD OF DIRECTORS

### (a) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises four executive Directors and three independent non-executive Directors. The Directors have no financial, business, family or other material/relevant relationships with one another. The biographical details of the Directors are set out on pages 10 and 11 of this Annual Report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors to be independent.

### (b) Roles of Chairman and Chief Executive

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

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

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



# Corporate Governance Report

## THE BOARD OF DIRECTORS (Continued)

### (c) Responsibilities

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

- (d) 8 board meetings and 1 annual general meeting were held during the financial year ended 30 June 2012. Details of Directors' attendance records are set out below:

	Attendance of	
	Board Meetings	Annual General Meeting
<b>Executive directors</b>		
Mr. Lin Cheuk Fung	6/8	1/1
Mr. Nicholas J. Niglio	5/8	1/1
Mr. Chan Shiu Kwong, Stephen	8/8	1/1
Mr. Lau Kwok Hung	8/8	1/1
<b>Independent non-executive directors</b>		
Mr. Cheung Yat Hung, Alton	4/8	1/1
Mr. Yue Fu Wing	3/8	1/1
Mr. Chan Choi Kam	4/8	1/1

## BOARD COMMITTEES

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

### (a) Audit Committee

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

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

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### (a) Audit Committee (Continued)

2 audit committee meetings were held during the financial year ended 30 June 2012. Attendance of the members is set out below:

	<b>Attendance of Audit Committee meetings</b>
<b>Members</b>	
Mr. Yue Fu Wing ( <i>Chairman</i> )	2/2
Mr. Cheung Yat Hung, Alton	2/2
Mr. Chan Choi Kam	2/2

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

- review of the Group's audited financial statements for the year ended 30 June 2011 and unaudited interim financial statements for the six months ended 31 December 2011;
- review of the internal control and risk management framework;
- review of new and/or revised accounting standards and practices applicable to the Group and their impacts to the Group; and
- report of the findings and making recommendations to the Board for improvements or implementations in respect of the above matters.

### (b) Remuneration Committee

The remuneration committee comprises two independent non-executive Directors and one executive Director. The remuneration committee was established with specific written terms of reference and is principally responsible for making recommendations to the Board on the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payment comprising of any compensation payable for loss or termination of their office or appointment. No Director or senior management will determine his own remuneration. 1 remuneration committee meeting was held during the financial year ended 30 June 2012. Attendance of the members is set out below:

	<b>Attendance of Remuneration Committee meetings</b>
<b>Members</b>	
Mr. Cheung Yat Hung, Alton ( <i>Chairman</i> )	1/1
Mr. Yue Fu Wing	1/1
Mr. Nicholas J. Niglio	1/1

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### (b) Remuneration Committee (Continued)

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

- considering and confirming the policy for the remuneration of Directors and senior management; and
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

### (c) Nomination Committee

The nomination committee comprises two independent non-executive Directors and one executive Director. The nomination committee was established with specific written terms of reference and is principally responsible for reviewing the structure, size and composition of the Board to complement the Company's corporate strategy and to identify individuals suitably qualified to become Board members. 1 nomination committee meeting was held during the financial year ended 30 June 2012. Attendance of the members is set out below:

#### Attendance of Nomination Committee meetings

##### Members

Mr. Lin Cheuk Fung ( <i>Chairman</i> )	1/1
Mr. Cheung Yat Hung, Alton	1/1
Mr. Yue Fu Wing	1/1

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

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and
- to assess the independence of independent non-executive Directors.



# Corporate Governance Report

## **CORPORATE GOVERNANCE FUNCTIONS**

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

- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

## **RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the Company's auditor about their reporting responsibilities is set out on pages 26 to 27 of this annual report.

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

## **AUDITOR'S REMUNERATION**

During the year ended 30 June 2012, the remuneration paid and payable to the auditor of the Company, CCIF CPA Limited, for provision of statutory audit and other non-audit services were approximately HK\$620,000 and HK\$70,000 respectively.

## **INTERNAL CONTROL**

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

# Corporate Governance Report

## **INTERNAL CONTROL** (Continued)

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

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures for managing these risks; and
- monitoring and reviewing the effectiveness of such measures.

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

- periodically evaluates identified risks for their continuing relevance in the operating environment and inclusion in the risk management framework;
- assesses adequacy of action plans and control systems developed to manage these risks; and
- monitors the performance of management in executing the action plans and operating the control systems.

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

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

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

## **TRAINING FOR DIRECTORS**

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

Pursuant to Code A.6.5 of the "Corporate Governance Code" (taking effect from 1 April 2012), listed company directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. For the period from 1 April 2012 to 30 June 2012, all Directors have participated in appropriate continuous professional development activities by ways of attending training or reading material relevant to the Company's business or to the Directors' duties and responsibilities.



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### (I) Convene an Extraordinary General Meeting

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

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

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

### (II) Send Enquiries to the Board

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

### (III) Make Proposals at General Meetings

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

Shareholder(s) representing not less than 2.5% of the total voting rights of all the shareholders or of at least 50 in number holding shares in the Company on which there has been paid up to an average sum of not less than HK\$2,000 per shareholder may by requisition, at their own expense unless the Company otherwise resolves, propose any resolution to be moved at any general meeting of the Company pursuant to Section 115A of the Companies Ordinance of Hong Kong.

A written notice to that effect signed by such shareholder(s) together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the general meeting, the reasons for such proposal and any material interest(s) of the proposing shareholder(s) in such proposal.

### (IV) Proposing a person for election as a director

As regards proposing a person for election as a director, please refer to the procedures available on the website of the Company.



# Corporate Governance Report

## **COMMUNICATIONS WITH SHAREHOLDERS**

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

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

## **INVESTOR RELATIONS**

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

During the year ended 30 June 2012, there has not been any change in the Company's constitutional documents.



# Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2012.

## **PRINCIPAL PLACE OF BUSINESS**

Neptune Group Limited (the “Company”) is a company incorporated in Hong Kong and has its registered office and principal place of business at Unit 1101, 11/F., Office Tower One, The Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 20 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively referred to as the “Group”) during the financial year are set out in note 5 to the financial statements.

## **RESULTS AND DIVIDEND**

The profit of the Group for the year ended 30 June 2012 and the state of the Company’s and the Group’s affairs as at that date are set out in the financial statements on pages 28 to 31.

The directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2012.

## **RESERVES**

Details of movements in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 32 and note 30(a) to the financial statements, respectively.

## **FIXED ASSETS**

Details of movements in the Company’s and the Group’s property, plant and equipment, and the Group’s investment properties during the year are set out in notes 16 and 17 to the financial statements, respectively.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 30(b) to the financial statements.

There were no purchases, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries during the year.



# Report of the Directors

## **DIRECTORS**

The directors of the Company during the year were:

### **Executive directors:**

Mr. Lin Cheuk Fung (Chairman)  
Mr. Nicholas J. Niglio  
Mr. Chan Shiu Kwong, Stephen  
Mr. Lau Kwok Hung

### **Independent non-executive directors:**

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

In accordance with Articles 79 and 84 of the Company's Articles of Association, Mr. Nicholas J. Niglio and Mr. Chan Shiu Kwong, Stephen shall retire by rotation and being eligible, offer themselves for re-election as executive directors.

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

## **CONFIRMATION OF INDEPENDENCE**

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

# Report of the Directors

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

### (1) Shares

As at 30 June 2012, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

*Long positions in ordinary shares of the Company*

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

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

### (2) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

Name of directors	Number of Share options held	Percentage of Outstanding Options As at 30 June 2012
Mr. Lin Cheuk Fung	2,390,000	6.87%
Mr. Chan Shiu Kwong, Stephen	2,388,000	6.87%
Mr. Lau Kwok Hung	2,388,000	6.87%
Mr. Nicholas J. Niglio	2,300,000	6.62%
Mr. Chan Choi Kam	23,000,000	66.15%

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





# Report of the Directors

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

The share option scheme adopted by the Company on 30 November 2000 enables the directors and employees of the Group to subscribe for shares in the Company, details of which are set out in note 32 to financial statements. The share option scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the share option scheme if the options are granted in accordance with the requirement of the new rules of Chapter 17 of the Listing Rules.

Particulars of the Company's new share option scheme effective on 18 September 2007 and unless otherwise cancelled or amended, will remain in force for 10 years from that date and details of movements in the share options of the Company during the year are set out in note 32 to the financial statements.

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

## **SUBSIDIARIES AND ASSOCIATE**

Details of the Company's subsidiaries and associate as at 30 June 2012 are set out in notes 20 and 21 to financial statements, respectively.

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

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

## **DIRECTOR'S SERVICE CONTRACTS**

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

## **DIRECTORS' INTEREST IN CONTRACTS**

Save as disclosed in note 38 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Report of the Directors

## **SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSEABLE UNDER THE SFO**

As at 30 June 2012, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

<b>Name of shareholders</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shares held</b>
Mr. Lin Cheuk Fung	375,000,000	9.75%
Ultra Choice Limited	720,000,000	18.71%
Miss Lin Yee Man	720,000,000	18.71%

Details of the above interests of Mr. Lin Cheuk Fung are also disclosed above under directors' interest in securities. Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of SFO as at 30 June 2012.

## **MATERIAL RELATED PARTY TRANSACTIONS**

Details of material related party transactions of the Group are set out in note 38 to financial statements.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

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

## **RETIREMENT SCHEME**

Particulars of the retirement scheme operated by the Group are set out in note 31 to the financial statements. In the opinion of the Company's directors, the Group had no significant obligations at 30 June 2012 for long service payment to its employee pursuant to the requirements under the Employment Ordinance.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Company's directors, the Company was in compliance with the provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by the financial statements, except for the Code Provisions A.4.1 and A.1.8, details of which are set out in the Corporate Governance Report on pages 12 to 19 of this annual report.



# Report of the Directors

## **MODEL CODE FOR SECURITIES BY DIRECTORS**

The Company has complied with the code of conduct regarding to securities transactions by the directors on terms no less than exacting than the required standard dealings as set in the Model Code. Having made specific enquiry of all directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding to securities transaction by the directors adopted by the Company. Details of compliance with the Model Code by directors are set out in the Corporate Governance Report on pages 12 to 19 of this annual report.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

Details of the significant events occurring after the end of the reporting period are set out in note 39 to the financial statements.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee, comprising three members, all being independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2012.

## **AUDITOR**

CCIF CPA Limited retires and, being eligible, offers themselves for re-appointment. A resolution for re-appointment of CCIF CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

**Lin Cheuk Fung**

*Chairman*

Hong Kong, 18 September 2012

# Independent Auditor's Report



**CCIF**

**CCIF CPA LIMITED**

34/F The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## **TO THE SHAREHOLDERS OF NEPTUNE GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Neptune Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 28 to 108, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

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

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

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

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



# Independent Auditor's Report

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### **CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 18 September 2012

### **Kwok Cheuk Yuen**

Practising Certificate Number P02412



# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>			
Turnover	5	433,377	414,787
Other revenue	6	364	1
Other losses	7	(2,109)	(25,838)
General and administrative expenses		(6,327)	(5,883)
Impairment of intangible assets	18	–	(47,100)
<b>Profit from operations</b>		<b>425,305</b>	335,967
Share of profits of associate	21	10,256	20,491
Gain on disposal of subsidiaries	33	4,581	–
Finance costs	8(a)	(202)	(1,551)
<b>Profit before taxation</b>	8	<b>439,940</b>	354,907
Income tax	9(a)	25	1,677
<b>Profit for the year from continuing operations</b>		<b>439,965</b>	356,584
<b>Discontinued operation:</b>			
Profit for the year from discontinued operation	10	2,187	11,240
<b>Profit for the year</b>		<b>442,152</b>	367,824
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>442,152</b>	367,824
<b>Attributable to</b>			
– Equity shareholders of the Company	13	282,930	201,133
– Non-controlling interests		159,222	166,691
<b>Profit and total comprehensive income for the year</b>		<b>442,152</b>	367,824
<b>Earnings per share – basic and diluted</b>			
– From continuing and discontinued operations	15	7.35 HK cents	5.23 HK cents
– From continuing operations		7.31 HK cents	5.03 HK cents
– From discontinued operation		0.04 HK cents	0.20 HK cents

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

# Consolidated Statement of Financial Position

At 30 June 2012

	Note	2012		2011	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	16(a)		62		107
Investment properties	17		–		32,800
Intangible assets	18		1,444,493		1,444,493
Goodwill	19		10,438		10,438
Interest in an associate	21		46,344		46,465
Non-current deposit	23(a)		30,000		–
			<u>1,531,337</u>		<u>1,534,303</u>
<b>Current assets</b>					
Securities held for trading	22		2		223
Trade and other receivables	23(b)		331,314		324,673
Derivative financial instruments	25		–		–
Dividend receivable from an associate	21		44,783		34,406
Cash and cash equivalents	24(a)		119,503		7,534
			<u>495,602</u>		<u>366,836</u>
Assets classified as held for sale	34		–		91,615
			<u>495,602</u>		<u>458,451</u>
<b>Less: Current liabilities</b>					
Other payables	26		28,226		15,685
Amount due to an associate	21		6,972		–
Dividend payable to non-controlling shareholders			52,214		167,498
Income tax payable	27		99		1,829
			<u>87,511</u>		<u>185,012</u>
<b>Net current assets</b>			<u>408,091</u>		<u>273,439</u>
<b>Total assets less current liabilities</b>			<u>1,939,428</u>		<u>1,807,742</u>

# Consolidated Statement of Financial Position

At 30 June 2012

	Note	2012		2011	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Less: Non-current liabilities</b>					
Deferred tax liabilities	28(a)	-		2,301	
Convertible notes	29	-		21,482	
			-		23,783
<b>Net assets</b>			<b>1,939,428</b>		<b>1,783,959</b>
<b>Capital and reserves</b>					
Share capital	30		38,472		38,472
Reserves			1,382,097		1,153,348
<b>Equity attributable to equity shareholders of the Company</b>			<b>1,420,569</b>		1,191,820
<b>Non-controlling interests</b>			<b>518,859</b>		592,139
<b>Total equity</b>			<b>1,939,428</b>		<b>1,783,959</b>

Approved and authorised for issue by the Board of Directors on 18 September 2012.

**Lau Kwok Hung**  
Director

**Chan Shiu Kwong, Stephen**  
Director

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

# Statement of Financial Position

At 30 June 2012

	Note	2012		2011	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	16(b)		62		107
Interests in subsidiaries	20		<u>1,617,101</u>		<u>1,524,594</u>
			<b>1,617,163</b>		<b>1,524,701</b>
<b>Current assets</b>					
Trade and other receivables	23(b)	1,012		942	
Derivative financial instruments	25	-		-	
Cash and cash equivalents	24(a)	<u>5,233</u>		<u>4,492</u>	
		<u>6,245</u>		<u>5,434</u>	
<b>Less: Current liabilities</b>					
Other payables	26	10,119		10,066	
Amounts due to subsidiaries	20	<u>453,186</u>		<u>423,648</u>	
		<u>463,305</u>		<u>433,714</u>	
<b>Net current liabilities</b>			<u>(457,060)</u>		<u>(428,280)</u>
<b>Total assets less current liabilities</b>			<b>1,160,103</b>		<b>1,096,421</b>
<b>Less: Non-current liabilities</b>					
Deferred tax liabilities	28(b)	-		1,026	
Convertible notes	29	<u>-</u>		<u>21,482</u>	
			<u>-</u>	<u>22,508</u>	
<b>Net assets</b>			<u><b>1,160,103</b></u>		<u><b>1,073,913</b></u>
<b>Capital and reserves</b>					
Share capital	30		38,472		38,472
Reserves			<u>1,121,631</u>		<u>1,035,441</u>
<b>Total equity</b>			<u><b>1,160,103</b></u>		<u><b>1,073,913</b></u>

Approved and authorised for issue by the Board of Directors on 18 September 2012.

**Lau Kwok Hung**  
Director

**Chan Shiu Kwong, Stephen**  
Director

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Attributable to equity shareholders of the Company									Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes reserve HK\$'000	Non- distributable reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 July 2010	38,472	910,015	80,366	2,264	9,562	-	(32,766)	1,007,913	779,466	1,787,379
Profit and total comprehensive income for the year	-	-	-	-	-	-	201,133	201,133	166,691	367,824
Transfer to accumulated losses upon the redemption of convertible notes	-	-	(76,290)	-	-	-	53,881	(22,409)	-	(22,409)
Deferred tax effect on equity component of convertible notes	-	-	5,183	-	-	-	-	5,183	-	5,183
Transfer to accumulated losses upon lapse of share options	-	-	-	-	(4,986)	-	4,986	-	-	-
Dividend payable to non-controlling shareholders	-	-	-	-	-	-	-	-	(354,018)	(354,018)
<b>Balance at 30 June 2011 and 1 July 2011</b>	<b>38,472</b>	<b>910,015</b>	<b>9,259</b>	<b>2,264</b>	<b>4,576</b>	<b>-</b>	<b>227,234</b>	<b>1,191,820</b>	<b>592,139</b>	<b>1,783,959</b>
Profit and total comprehensive income for the year	-	-	-	-	-	-	282,930	282,930	159,222	442,152
Transfer to retained profits upon the redemption of convertible notes	-	-	(10,260)	-	-	-	6,299	(3,961)	-	(3,961)
Deferred tax effect on equity component of convertible notes	-	-	1,001	-	-	-	-	1,001	-	1,001
Acquisition of additional interest in a subsidiary (Note)	-	-	-	-	-	(51,221)	-	(51,221)	(56,779)	(108,000)
Dividend payable to non-controlling shareholders	-	-	-	-	-	-	-	-	(175,723)	(175,723)
<b>Balance at 30 June 2012</b>	<b>38,472</b>	<b>910,015</b>	<b>-</b>	<b>2,264</b>	<b>4,576</b>	<b>(51,221)</b>	<b>516,463</b>	<b>1,420,569</b>	<b>518,859</b>	<b>1,939,428</b>

Note: During the year ended 30 June 2012, the Group acquired an additional 10% equity interest in Base Move Investments Limited, a non-wholly owned subsidiary of the Company engaged in receiving profit streams from gaming and entertainment related business. As a result of the acquisition, the difference of HK\$51,221,000 between the consideration payable of HK\$108,000,000 and the amount of non-controlling interests adjusted of HK\$56,779,000 was directly recognised in equity.

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

# Consolidated Cash Flow Statement

For the year ended 30 June 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Net cash generated from operating activities</b>	24(b)	<b>353,394</b>	365,708
<b>Investing activities</b>			
Compensations received under the profit guarantee agreements	23(b)	<b>74,992</b>	138,455
Deposit paid for acquisition of additional interest in profit streams	23(a)	<b>(30,000)</b>	–
Payment for purchase of property, plant and equipment		–	(979)
Net cash inflow on disposal of subsidiaries	33	<b>32,852</b>	–
Partial proceeds received from disposal of assets classified as held for sale	34	<b>84,102</b>	–
Interest received		<b>364</b>	2
Dividend received from an associate		–	16,800
<b>Net cash generated from investing activities</b>		<b>162,310</b>	154,278
<b>Financing activities</b>			
Advance from an associate		<b>6,972</b>	–
Payment for redemption of convertible notes		<b>(27,700)</b>	(126,000)
Partial payment for acquisition of additional equity interest in a subsidiary		<b>(92,000)</b>	–
Dividends paid to non-controlling shareholders		<b>(291,007)</b>	(395,969)
<b>Net cash used in financing activities</b>		<b>(403,735)</b>	(521,969)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>111,969</b>	(1,983)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,534</b>	9,517
<b>Cash and cash equivalents at the end of the year</b>	24(a)	<b>119,503</b>	7,534

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



# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

The consolidated financial statements for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

#### (i) Basis of measurement

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

- investment properties (see note 1(f));
- financial instruments classified as available-for-sale or as trading securities (see note 1(d));  
and
- derivative financial instruments (see note 1(e)).

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (ii) *Functional and presentation currency*

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

#### (iii) *Use of estimates and judgement*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### (c) Basis of consolidation

#### (i) *Business combinations*

##### **Business combinations on or after 1 July 2010**

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (i) Business combinations (Continued)

#### **Business combinations on or after 1 July 2010** (Continued)

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

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 “Income Tax”;
- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 “Employee Benefits”;
- liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (i) Business combinations (Continued)

##### **Business combinations on or after 1 July 2010** (Continued)

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

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 July 2010.

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (i) Business combinations (Continued)

##### **Business combinations prior to 1 July 2010**

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

#### (ii) Subsidiaries, controlled special purpose entities and non-controlling interests

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (ii) *Subsidiaries, controlled special purpose entities and non-controlling interests (Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

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

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

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



# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (iii) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)). An acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is also recognised in the consolidated statement of comprehensive income.

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

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

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

#### (iv) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of consolidation (Continued)

#### (iv) Goodwill (Continued)

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

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

### (d) Other investments in equity securities

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

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

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

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

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

### (e) Derivative financial instruments

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment properties

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

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

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

### (g) Property, plant and equipment

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

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Property, plant and equipment (Continued)

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

- Leasehold improvements and decoration	5 years
- Plant and machinery	6 – 7 years
- Furniture, fixtures and equipment	5 – 7 years
- Computer equipment	5 years
- Cruise ship	20 years

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

### (h) Leased assets

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

#### (i) *Classification of assets leased to the Group*

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

#### (ii) Operating lease charges

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

### (i) Intangible assets (other than goodwill)

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

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

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

### (j) Trade and other receivables

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For investments in subsidiaries and associate, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.



# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

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

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

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

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

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

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

- property, plant and equipment;
- intangible assets;
- goodwill; and
- non-current deposit

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

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

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

#### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### – Recognition of impairment losses

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

#### – Reversals of impairment losses

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

#### (iii) *Interim financial reporting and impairment*

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

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

### (l) Convertible notes

#### (i) *Convertible notes that contain an equity component*

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

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

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Convertible notes (Continued)

#### (ii) Other convertible notes

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

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

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

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

### (m) Interest-bearing borrowings

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

### (n) Other payables

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

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Employee benefits

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

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

#### (ii) Share-based payments

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

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

#### (iii) Termination benefits

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Income tax

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

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

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

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

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

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



# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Income tax (Continued)

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (r) Provisions and contingent liabilities

#### (i) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(r)(ii).

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Provisions and contingent liabilities (Continued)

#### (ii) *Other provisions and contingent liabilities*

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

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

### (s) Revenue recognition

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

#### (i) *Revenue from assignment of profit*

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

#### (ii) *Rental income from operating leases*

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

#### (iii) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Revenue recognition (Continued)

#### (iv) Interest income

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

### (t) Borrowing costs

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

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

### (u) Translation of foreign currencies

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to equity shareholders of the Company are reclassified from equity to profit or loss.

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) *Non-current assets held for sale*

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

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

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

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

#### (ii) *Discontinued operations*

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

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

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in note 1(w)(a).
  - (vii) A person identified in note 1(w)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Segment reporting

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

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

## 2. CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (as revised in 2009) "Related Party Disclosures"
- Improvements to HKFRSs (2010) in relation to amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7 and HK(IFRIC) – Int 13
- Amendments to HKFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets"
- Amendments to HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement

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



# Notes to Financial Statements

For the year ended 30 June 2012

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

The impacts of these developments are discussed below:

- HKAS 24 (as revised in 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 "Financial Instruments: Disclosures". The disclosures about the Group's financial instruments in note 4 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the Group's financial statements in the current and previous periods.

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

- (i) *Determining that an investee is a subsidiary even though less than 50% of its voting or potential voting power is owned by the Group*

The currently exercisable purchased call option, if exercised, would give the Company 80% (2011: 70%) voting power over Base Move Investments Limited ("Base Move"). Based on the directors' assessment, the currently exercisable purchased call option provided the Company with the potential voting rights over Base Move which in turn provided the Company with the ability to control Base Move. In preparing the Group's consolidated financial statements for the years ended 30 June 2012 and 2011, Base Move was consolidated as a subsidiary in accordance with HKAS 27 (Revised) "Consolidated and Separate Financial Statements". As the Company held 30% (2011: 20%) equity interests in Base Move at 30 June 2012, 70% (2011: 80%) of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

# Notes to Financial Statements

For the year ended 30 June 2012

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

### (b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key resources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) *Impairment of intangible assets with indefinite useful lives and goodwill*

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

#### (ii) *Impairment of receivables*

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

### (b) Key sources of estimation uncertainty (Continued)

#### (iii) *Estimation of useful lives of property, plant and equipment and intangible assets*

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

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

#### (iv) *Income tax*

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

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

### (a) Financial risk management

The Group's major financial instruments include equity investments, trade and other receivables, derivative financial instruments, dividend receivable from an associate, cash and cash equivalents, other payables, amount due to an associate, dividend payable to non-controlling shareholders and convertible notes. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and equity price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (i) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Further details on the Group's credit policy are set out in note 23(b). In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2012, 49.9% and 90.0% of the total trade and other receivables was due from the Group's largest customer and the three largest customers, respectively, within the gaming and entertainment segment.

The Group also has credit risk in relation to dividend receivable from an associate amounting to HK\$44,783,000 at 30 June 2012 (2011: HK\$34,406,000). In order to minimise the credit risk, the management has reviewed the recoverable amount of the dividend receivable regularly to ensure that adequate impairment loss is made for any irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk on dividend receivable from an associate is significantly reduced.

The Group or the Company do not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23(b).

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate other financial resources to meet its liquidity requirements in the short and longer term.

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

The Group	Contractual undiscounted cash outflows				Total carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	After 1 year but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	
<b>At 30 June 2012</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	28,226	-	-	28,226	28,226
Dividend payable to non-controlling shareholders*	52,214	-	-	52,214	52,214
Amount due to an associate	6,972	-	-	6,972	6,972
	<b>87,412</b>	<b>-</b>	<b>-</b>	<b>87,412</b>	<b>87,412</b>
<b>At 30 June 2011</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	15,685	-	-	15,685	15,685
Dividend payable to non-controlling shareholders*	167,498	-	-	167,498	167,498
Convertible notes	277	1,108	28,254	29,639	21,482
	<b>183,460</b>	<b>1,108</b>	<b>28,254</b>	<b>212,822</b>	<b>204,665</b>

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (ii) Liquidity risk (Continued)

The Company	Contractual undiscounted cash outflows				Total carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	
<b>At 30 June 2012</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	10,119	-	-	10,119	10,119
Amounts due to subsidiaries	453,186	-	-	453,186	453,186
	<b>463,305</b>	<b>-</b>	<b>-</b>	<b>463,305</b>	<b>463,305</b>
<b>At 30 June 2011</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	10,066	-	-	10,066	10,066
Amounts due to subsidiaries	423,648	-	-	423,648	423,648
Convertible notes	277	1,108	28,254	29,639	21,482
	<b>433,991</b>	<b>1,108</b>	<b>28,254</b>	<b>463,353</b>	<b>455,196</b>

#### (iii) Interest rate risk

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

During the years ended 30 June 2012 and 2011, the Group and the Company did not enter into any interest rate swap contracts.



# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (iii) Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group's and the Company's long-term borrowings at the end of the reporting period:

	The Group and the Company			
	2012		2011	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate borrowings:				
Convertible notes	N/A	–	5	21,482

#### (iv) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as securities held for trading (see note 22). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles, and will consider hedging the risk exposure should the need arise.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of the derivatives embedded in convertible notes issued by the Company. At 30 June 2011, the Group was exposed to this risk through the redemption rights attached to the convertible notes as disclosed in note 25. At 30 June 2012, the Group was not exposed to equity price risk because all outstanding convertible notes were redeemed by the Group during the year ended 30 June 2012.

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (v) Fair value

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

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

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

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

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

#### Assets

The Group	At 30 June 2012			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Securities held for trading	2	-	-	2

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Financial risk management (Continued)

#### (v) Fair value (Continued)

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

The Group	At 30 June 2011			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Derivative financial instrument				
– Redemption option derivatives embedded in convertible notes	–	–	–	–
Securities held for trading	223	–	–	223
	<u>223</u>	<u>–</u>	<u>–</u>	<u>223</u>

During the years ended 30 June 2012 and 2011, there were no significant transfer between instruments in level 1 and level 2.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2012 and 2011.

# Notes to Financial Statements

For the year ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Estimation of fair values

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

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

(i) *Cash and cash equivalents, trade and other receivables, dividend receivable from an associate, other payables, amount due to an associate and dividend payable to non-controlling shareholders*

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

(ii) *Interest-bearing borrowings*

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

(iii) *Derivatives*

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at the end of each reporting period to determine the fair value of the derivatives. The details of these derivatives are set out in note 25.

### (c) Capital management

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

The capital structure of the Group consisted of debt (which included convertible notes) and equity attributable to equity shareholders of the Company (comprising issued share capital and reserves).

#### *Gearing ratio*

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

The gearing ratio at the end of the reporting period was as follows:

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total debt <sup>#</sup>	–	21,482	–	21,482
Shareholders' equity	<b>1,420,569</b>	1,191,820	<b>1,160,103</b>	1,073,913
Gearing ratio	<b>N/A</b>	1.80%	<b>N/A</b>	2.00%

<sup>#</sup> Total debt solely comprises convertible notes as detailed in note 29.

# Notes to Financial Statements

For the year ended 30 June 2012

## 5. TURNOVER AND SEGMENT REPORTING

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

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

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

Continuing operation:

- Gaming and entertainment segment: Revenue from assignment of profit under the profit streams from gaming and entertainment related business carried out in Macau.

Discontinued operation:

- Cruise ship leasing segment: Rental income generated from leasing of the Group's cruise ship and the Group's cruise ship was disposed of in August 2011.

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

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

Segment assets include all tangible and intangible assets, and current assets with the exception of securities held for trading, investment properties and other corporate assets. Segment liabilities include other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 5. TURNOVER AND SEGMENT REPORTING (Continued)

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

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

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2012 and 2011 is set out below.

	2012			2011		
	Continuing operation	Discontinued operation	Total	Continuing operation	Discontinued operation	Total
	Gaming and entertainment	Cruise ship leasing		Gaming and entertainment	Cruise ship leasing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	433,377	2,000	435,377	414,787	24,000	438,787
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>433,377</u>	<u>2,000</u>	<u>435,377</u>	<u>414,787</u>	<u>24,000</u>	<u>438,787</u>
Reportable segment profit	<u>443,189</u>	<u>1,998</u>	<u>445,187</u>	<u>388,114</u>	<u>11,240</u>	<u>399,354</u>
Interest income*	-	-	-	-	1	1
Depreciation*	-	-	-	-	(10,233)	(10,233)
Impairment loss on intangible assets*	-	-	-	(47,100)	-	(47,100)
Impairment loss on goodwill*	-	-	-	-	(45)	(45)
Share of profits of associate*	10,256	-	10,256	20,491	-	20,491
<b>Reportable segment assets</b>	<b>1,938,188</b>	<b>-</b>	<b>1,938,188</b>	<b>1,854,448</b>	<b>91,615</b>	<b>1,946,063</b>
(including interest in an associate)	<b>46,344</b>	<b>-</b>	<b>46,344</b>	<b>46,465</b>	<b>-</b>	<b>46,465</b>
Additions to non-current segment assets during the year	30,000	-	30,000	-	946	946
<b>Reportable segment liabilities</b>	<b>75,204</b>	<b>-</b>	<b>75,204</b>	<b>167,515</b>	<b>-</b>	<b>167,515</b>

\* These items are included in the measurement of reportable segment profits.



# Notes to Financial Statements

For the year ended 30 June 2012

## 5. TURNOVER AND SEGMENT REPORTING (Continued)

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

	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>		
<b>Continuing operation:</b>		
Reportable segment revenue	433,377	414,787
Elimination of inter-segment revenue	-	-
Consolidated turnover from continuing operation	<b>433,377</b>	<b>414,787</b>
<b>Discontinued operation (Note 10):</b>		
Reportable segment revenue	2,000	24,000
Elimination of inter-segment revenue	-	-
Consolidated turnover from discontinued operation	<b>2,000</b>	<b>24,000</b>
<b>Profit or loss</b>		
<b>Continuing operations:</b>		
Reportable segment profit	443,189	388,114
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers	443,189	388,114
Fair value changes on investment properties	-	(5,960)
Fair value changes on securities held for trading	-	(203)
Gain on disposal of subsidiaries	4,581	-
Loss on redemption of convertible notes	(2,109)	(9,001)
Impairment loss of deposit paid for acquisition of a company	-	(10,629)
Finance costs	(202)	(1,551)
Unallocated head office and corporate expenses and income	(5,519)	(5,863)
Consolidated profit before taxation from continuing operations	<b>439,940</b>	<b>354,907</b>
<b>Discontinued operation (Note 10):</b>		
Reportable segment profit	1,998	11,240
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	<b>1,998</b>	<b>11,240</b>

# Notes to Financial Statements

For the year ended 30 June 2012

## 5. TURNOVER AND SEGMENT REPORTING (Continued)

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

	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>		
Reportable segment assets	1,938,188	1,946,063
Investment properties	–	32,800
Unallocated corporate assets (Note a)	88,751	13,891
Consolidated total assets	<b>2,026,939</b>	<b>1,992,754</b>
<b>Liabilities</b>		
Reportable segment liabilities	75,204	167,515
Convertible notes	–	21,482
Income tax payable	99	1,829
Deferred tax liabilities	–	2,301
Unallocated corporate liabilities (Note b)	12,208	15,668
Consolidated total liabilities	<b>87,511</b>	<b>208,795</b>

Note:

- (a) The unallocated corporate assets mainly included unallocated cash and bank balances, and other receivables.
- (b) The unallocated corporate liabilities mainly included interest payable for convertible notes, accruals and other payables.

# Notes to Financial Statements

For the year ended 30 June 2012

## 5. TURNOVER AND SEGMENT REPORTING (Continued)

### (c) Geographical information

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

	Hong Kong and Mainland China		Macau	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover from external customers				
– continuing operation	–	–	433,377	414,787
– discontinued operation	2,000	24,000	–	–
	<b>2,000</b>	24,000	<b>433,377</b>	414,787
Non-current assets				
– continuing operations	62	32,907	1,531,275	1,501,396

### (d) Information about customers

Revenue from gaming and entertainment segment of approximately HK\$160,152,000 (2011: HK\$171,700,000), HK\$186,621,000 (2011: HK\$165,146,000) and HK\$62,207,000 (2011: HK\$55,048,000) are derived from the largest external customer, the second largest external customer (which is an entity owned by a substantial shareholder of the Company) and the third largest external customer (which is an entity owned by a substantial shareholder of the Company), respectively. Transactions with each of these three customers have exceeded 10% of the Group's turnover.

# Notes to Financial Statements

For the year ended 30 June 2012

## 6. OTHER REVENUE

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

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>		
Bank interest income	364	1
<b>Discontinued operation (Note 10):</b>		
Bank interest income	-	1
Total	<b>364</b>	<b>2</b>

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

	2012 HK\$'000	2011 HK\$'000
Continuing operations	364	1
Discontinued operation	-	1
	<b>364</b>	<b>2</b>

## 7. OTHER LOSSES

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

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>		
Loss on redemption of convertible notes	(2,109)	(9,001)
Fair value changes on investment properties (Note 17)	-	(5,960)
Fair value changes on securities held for trading	-	(203)
Impairment loss of goodwill (Note 19)	-	(45)
Impairment loss of deposit paid for acquisition of a company (see note below)	-	(10,629)
	<b>(2,109)</b>	<b>(25,838)</b>

Note:

On 28 January 2011, the Company entered into a conditional sale and purchase agreement to acquire 25% equity interest in RJB Recycling Environment Orleans ("RJB"), a company incorporated in the Republic of France, from the independent third parties (the "Vendors"). As part of the agreement, a refundable deposit of EUR1,000,000 was paid by the Group to the Vendors upon signing of the agreement. The acquisition was finally terminated in May 2011 due to the unsatisfactory result of the due diligence investigation on RJB and the Company requested the Vendors to refund the deposit accordingly. However, no repayment of deposit from the Vendors was received by the Company and the Company initiated legal process for the refund of the deposit from the Vendors. Based on the assets searches on the Vendors, the assets held by the Vendors were insignificant and the directors of the Company considered that the deposit was unlikely to be recoverable. As a result, an impairment loss on the deposit amounting to HK\$10,629,000 was recognised during the year ended 30 June 2011.

# Notes to Financial Statements

For the year ended 30 June 2012

## 8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>		
Total interest expense on financial liabilities not at fair value through profit on loss		
– Imputed interest expense on convertible notes (Note 29)	202	1,551

### (b) Staff costs (including directors' remuneration)

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>		
Contributions to defined contribution retirement plan	65	86
Salaries and other benefits	3,004	2,961
Total staff costs	3,069	3,047

### (c) Other items

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations:</b>		
Auditor's remuneration		
– audit services	620	600
– other services	70	60
Depreciation of property, plant and equipment (Note 16)	45	53
Operating lease charges in respect of land and buildings	726	506
<b>Discontinued operation (Note 10):</b>		
Depreciation of property, plant and equipment (Note 16)	–	10,233
Impairment loss on assets classified as held for sale	–	2,498

# Notes to Financial Statements

For the year ended 30 June 2012

## 9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### (a) Continuing operations

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

	2012 HK\$'000	2011 HK\$'000
<b>Current tax:</b>		
Provision for taxation	–	–
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(25)	(1,677)
	<u>(25)</u>	<u>(1,677)</u>

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entities comprising the continuing operations did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdictions concerned during the years ended 30 June 2012 and 2011.

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

	2012 HK\$'000	2011 HK\$'000
Profit before taxation	<u>439,940</u>	<u>354,907</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	52,628	38,466
Tax effect of non-deductible expenses	1,376	12,020
Tax effect of non-taxable income	(54,052)	(52,233)
Tax effect of unrecognised temporary differences	23	70
Actual tax credit	<u>(25)</u>	<u>(1,677)</u>



# Notes to Financial Statements

For the year ended 30 June 2012

## 9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

### (b) Discontinued operation

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entity comprising the discontinued operation did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdictions concerned during the years ended 30 June 2012 and 2011.

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

	2012 HK\$'000	2011 HK\$'000
Profit before taxation	<b>1,998</b>	11,240
Notional tax on profit before taxation, calculated at the rate applicable to profits in the tax jurisdiction concerned	<b>330</b>	1,854
Tax effect of non-deductible expenses	-	2,106
Tax effect of non-taxable income	<b>(330)</b>	(3,960)
Actual tax expense	-	-

# Notes to Financial Statements

For the year ended 30 June 2012

## 10. DISCONTINUED OPERATION

On 24 June 2011, the Group entered into a memorandum of agreement with an independent third party to sell the cruise ship owned by a subsidiary of the Company for a consideration of US\$11,800,000 (equivalent to approximately HK\$91,804,000). The disposal of the cruise ship was completed in August 2011. Further details of such disposal are disclosed in note 34.

- (a) The operation of cruise ship leasing was classified as discontinued operation and the results of the discontinued operation for the years ended 30 June 2012 and 2011 were as follows:

	Note	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	5	<b>2,000</b>	24,000
Cost of sales		–	(10,233)
<b>Gross profit</b>		<b>2,000</b>	13,767
Other revenue	6	–	1
Impairment loss on assets classified as held for sale	34	–	(2,498)
General and administrative expenses		<b>(2)</b>	(30)
<b>Profit before taxation</b>	8	<b>1,998</b>	11,240
Income tax	9(b)	–	–
		<b>1,998</b>	11,240
Gain on disposal of assets classified as held for sale		<b>189</b>	–
<b>Profit for the year from discontinued operation</b>		<b>2,187</b>	11,240
<b>Attributable to</b>			
– Equity shareholders of the Company		<b>1,531</b>	7,868
– Non-controlling interests		<b>656</b>	3,372
		<b>2,187</b>	11,240

- (b) The net cash flows of the discontinued operation for the years ended 30 June 2012 and 2011 were as follows:

	2012 HK\$'000	2011 HK\$'000
Net cash inflow/(outflow) from operating activities	<b>2,998</b>	(3,945)
Net cash outflow from investing activities	–	(946)
Net cash inflow/(outflow) from the discontinued operation	<b>2,998</b>	(4,891)

# Notes to Financial Statements

For the year ended 30 June 2012

## 11. DIRECTORS' REMUNERATION

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

### THE GROUP

Name of director	Salaries, allowances and benefits in kind				Mandatory provident fund contributions		Total	
	Directors' fee							
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Executive director</b>								
Mr. Lin Cheuk Fung (Note a)	-	-	630	603	12	12	642	615
Mr. Lau Kwok Hung (Note b)	-	-	562	523	4	12	566	535
Mr. Chan Shiu Kwong, Stephen	-	-	536	497	12	12	548	509
Mr. Nicholas J. Niglio (Note b)	-	-	421	392	4	12	425	404
Mr. Wan Yau Shing, Ban (resigned on 1 March 2011)	-	-	-	135	-	6	-	141
<b>Independent non-executive director</b>								
Mr. Yue Fu Wing	60	60	-	-	-	-	60	60
Mr. Cheung Yat Hung, Alton	60	60	-	-	-	-	60	60
Mr. Chan Choi Kam	20	20	-	-	-	-	20	20
	<b>140</b>	<b>140</b>	<b>2,149</b>	<b>2,150</b>	<b>32</b>	<b>54</b>	<b>2,321</b>	<b>2,344</b>

Note:

- (a) Mr. Lin Cheuk Fung is the chief executive of the Company.
- (b) These directors reached the age of 65 in November 2011 and no mandatory provident fund was required to contribute by the Group thereafter.

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: five) are directors of the Company, details of whose emoluments are disclosed in note 11 above. The emolument of the remaining one (2011: Nil) individual was as follows:

	2012 HK\$'000	2011 HK\$'000
Salaries and other benefits	280	-
Contributions to mandatory provident fund	12	-
	<b>292</b>	<b>-</b>

# Notes to Financial Statements

For the year ended 30 June 2012

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emolument of the remaining one (2011: Nil) individual fall within the following band is as follows:

	2012	2011
Nil – HK\$1,000,000	1	–

During the years ended 30 June 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals (including directors and other employee) as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of them has waived any emoluments during the years ended 30 June 2012 and 2011.

## 13. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK\$89,150,000 (2011: HK\$185,168,000) which has been dealt with in the financial statements of the Company.

## 14. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 30 June 2012 (2011: Nil).

## 15. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company (see below) and the total of 3,847,245,000 ordinary shares (2011: 3,847,245,000 ordinary shares) in issue during the year.

#### Profit attributable to ordinary equity shareholders of the Company

	2012 HK\$'000	2011 HK\$'000
Continuing operations	281,399	193,265
Discontinued operation	1,531	7,868
	<b>282,930</b>	<b>201,133</b>

### (b) Diluted earnings per share

Diluted earnings per share for the years ended 30 June 2012 and 2011 was the same as the basic earnings per share because the exercise prices of the Company's outstanding share options and the conversion prices of the outstanding convertible notes were higher than the market prices of the Company's shares during both years.

# Notes to Financial Statements

For the year ended 30 June 2012

## 16. PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

	Leasehold improvements and decoration HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Cruise ship HK\$'000	Total HK\$'000
<b>Cost:</b>						
At 1 July 2010	38,617	20,222	165	225	129,180	188,409
Additions	946	-	-	33	-	979
Classified as assets held for sale	(39,563)	(20,222)	-	-	(129,180)	(188,965)
<b>At 30 June 2011 and 30 June 2012</b>	<u>-</u>	<u>-</u>	<u>165</u>	<u>258</u>	<u>-</u>	<u>423</u>
<b>Accumulated depreciation:</b>						
At 1 July 2010	38,056	14,268	117	146	32,295	84,882
Charge for the year	741	3,033	21	32	6,459	10,286
Classified as assets held for sale	(38,797)	(17,301)	-	-	(38,754)	(94,852)
At 30 June 2011	<u>-</u>	<u>-</u>	<u>138</u>	<u>178</u>	<u>-</u>	<u>316</u>
At 1 July 2011	-	-	138	178	-	316
Charge for the year	-	-	14	31	-	45
<b>At 30 June 2012</b>	<u>-</u>	<u>-</u>	<u>152</u>	<u>209</u>	<u>-</u>	<u>361</u>
<b>Carrying amount:</b>						
<b>At 30 June 2012</b>	<u>-</u>	<u>-</u>	<u>13</u>	<u>49</u>	<u>-</u>	<u>62</u>
At 30 June 2011	<u>-</u>	<u>-</u>	<u>27</u>	<u>80</u>	<u>-</u>	<u>107</u>

# Notes to Financial Statements

For the year ended 30 June 2012

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) The Company

	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>Cost:</b>			
At 1 July 2010	165	225	390
Additions	—	33	33
<b>At 30 June 2011 and 30 June 2012</b>	<u>165</u>	<u>258</u>	<u>423</u>
<b>Accumulated depreciation:</b>			
At 1 July 2010	117	146	263
Charge for the year	21	32	53
At 30 June 2011	<u>138</u>	<u>178</u>	<u>316</u>
At 1 July 2011	138	178	316
Charge for the year	14	31	45
<b>At 30 June 2012</b>	<u>152</u>	<u>209</u>	<u>361</u>
<b>Carrying amount:</b>			
<b>At 30 June 2012</b>	<u>13</u>	<u>49</u>	<u>62</u>
At 30 June 2011	<u>27</u>	<u>80</u>	<u>107</u>

# Notes to Financial Statements

For the year ended 30 June 2012

## 17. INVESTMENT PROPERTIES

	<b>THE GROUP</b>	
	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>Fair value:</b>		
At 1 July	<b>32,800</b>	38,760
Fair value changes	–	(5,960)
Eliminated on disposal of subsidiaries (Note 33)	<b>(32,800)</b>	–
<b>At 30 June</b>	<b>–</b>	<b>32,800</b>

The fair value of the Group's investment properties at 30 June 2011 were arrived at on the basis of a valuation carried out on that date by Messrs. Chung, Chan & Associates, an independent qualified professional valuers not connected with the Group. Messrs. Chung, Chan & Associates have among their staff members of the Hong Kong Institute of Surveyors with recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

At 30 June 2011, all of the Group's property interests held for capital appreciation were measured using the fair value model and were classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>Representing:</b>		
Leasehold land in the People's Republic of China:		
– Long lease	–	32,800



# Notes to Financial Statements

For the year ended 30 June 2012

## 18. INTANGIBLE ASSETS

### THE GROUP

	<b>Rights in sharing of profit streams</b>
	HK\$'000
<b>Cost:</b>	
At 1 July 2010, 30 June 2011 and 30 June 2012	<u>2,260,393</u>
<b>Accumulated impairment losses:</b>	
At 1 July 2010	768,800
Impairment loss recognised during the year	<u>47,100</u>
At 30 June 2011 and 30 June 2012	<u>815,900</u>
<b>Carrying amount:</b>	
<b>At 30 June 2012</b>	<b><u>1,444,493</u></b>
At 30 June 2011	<u>1,444,493</u>

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau for an indefinite period of time. As a result, the intangible assets are considered by the directors of the Company as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. Such intangible assets are carried at cost less accumulated impairment losses, and are related to gaming and entertainment segment.

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

	<b>Hou Wan Profit Agreement</b>	<b>Neptune Ouro Profit Agreement</b>	<b>Hao Cai Profit Agreement</b>	<b>Lucky Star Profit Agreement</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010	567,793	212,800	638,400	72,600	1,491,593
Impairment loss recognised during the year	<u>—</u>	<u>(11,800)</u>	<u>(35,300)</u>	<u>—</u>	<u>(47,100)</u>
At 30 June 2011 and 30 June 2012	<u>567,793</u>	<u>201,000</u>	<u>603,100</u>	<u>72,600</u>	<u>1,444,493</u>

# Notes to Financial Statements

For the year ended 30 June 2012

## 18. INTANGIBLE ASSETS (Continued)

### Impairment tests for intangible assets with indefinite useful life

The recoverable amount of the intangible assets with indefinite useful life is determined based on value-in-use calculations by reference to the valuation report issued by Messrs. Ascent Partners Transaction Services Limited, independent qualified professional valuers. These calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year periods are extrapolated using zero (2011: zero) growth rate, which does not exceed the long-term average growth rate for gaming and entertainment industry. The cash flows are discounted using a discount rate of 12.59% (2011: 14.17%). The discount rate used is pre-tax and reflects specific risks relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development.

During the year ended 30 June 2011, impairment loss of approximately HK\$47,100,000 (2012: HK\$Nil) was recognised in respect of the Group's gaming and entertainment segment. The main factors contributing to the impairment were (i) the increase in discount rate and (ii) the decrease in profit forecasts in relation to Sky Advantage Limited and Profit Forest Limited by the directors of the Company. In the opinion of the directors of the Company, the keen competition in Macau's gaming and entertainment industry and the development of gaming and entertainment industry in Singapore were the major factors leading to the decrease in profit forecasts in relation to Sky Advantage Limited and Profit Forest Limited. As the intangible assets were reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

# Notes to Financial Statements

For the year ended 30 June 2012

## 19. GOODWILL

### THE GROUP

	2012 HK\$'000	2011 HK\$'000
<b>Cost:</b>		
At 1 July and 30 June	221,411	221,411
<b>Accumulated impairment losses:</b>		
At 1 July	(210,973)	(210,928)
Impairment loss recognised during the year	–	(45)
At 30 June	(210,973)	(210,973)
<b>Carrying amount: At 30 June</b>	<b>10,438</b>	<b>10,438</b>

For the purpose of impairment testing, goodwill (net of accumulated impairment losses) as at 30 June 2012 and 2011 has been allocated to the following cash generating units (CGUs) as follows:

	2012 HK\$'000	2011 HK\$'000
Gaming and entertainment unit	10,438	10,438
Cruise leasing unit	–	–
	<b>10,438</b>	<b>10,438</b>

During the years ended 30 June 2011 and 2012, the directors of the Company assessed the recoverable amount of goodwill, and determined that no impairment loss on the goodwill associated with the Group's gaming and entertainment unit was recognised. The recoverable amount of the gaming and entertainment unit was assessed by reference to value-in-use. A discount factor of 12.59% (2011: 14.17%) per annum was applied and reflected specific risk relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development.

During the year ended 30 June 2011, the directors of the Company determined that an impairment loss on the goodwill associated with the Group's cruise leasing unit of approximately HK\$45,000 was recognised because the recoverable amount of that unit was less than its carrying amount. The recoverable amount of the cruise leasing unit was assessed by reference to value-in-use.

The value-in-use calculation uses cash flow projections based on financial budgets approved by the Company's directors covering a five-year period. Cash flows beyond that five-year period are extrapolated using zero (2011: zero) growth rate. This growth rate used does not exceed the long-term average growth rate for the industry in which the gaming and entertainment unit operates.

# Notes to Financial Statements

For the year ended 30 June 2012

## 19. GOODWILL (Continued)

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

	<b>Credible Limited</b> HK\$'000	<b>Sky Advantage Limited</b> HK\$'000	<b>Profit Forest Limited</b> HK\$'000	<b>Total</b> HK\$'000
<b>Cost:</b>				
At 1 July 2010, 30 June 2011 and 30 June 2012	10,438	4,266	206,662	221,366
<b>Accumulated impairment losses:</b>				
At 1 July 2010, 30 June 2011 and 30 June 2012	—	(4,266)	(206,662)	(210,928)
<b>Carrying amount:</b>				
<b>At 30 June 2012 and 2011</b>	<b>10,438</b>	<b>—</b>	<b>—</b>	<b>10,438</b>

## 20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2012</b> HK\$'000	2011 HK\$'000
Unlisted investments, at cost	<b>308,373</b>	308,373
Less: Accumulated impairment losses recognised in respect of investment costs (Note a)	<b>(18,650)</b>	(5,000)
	<b>289,723</b>	303,373
Amounts due from subsidiaries (Note b)	<b>1,333,964</b>	1,365,390
Less: Accumulated impairment losses recognised in respect of amounts due from subsidiaries	<b>(6,586)</b>	(144,169)
	<b>1,327,378</b>	1,221,221
Total interests in subsidiaries	<b>1,617,101</b>	1,524,594
Amounts due to subsidiaries (Note c)	<b>453,186</b>	423,648

# Notes to Financial Statements

For the year ended 30 June 2012

## 20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES (Continued)

Note:

- (a) The directors of the Company have reviewed the net asset values of the Company's subsidiaries as at 30 June 2012 and their operating performance, and are of the view that an impairment loss of approximately HK\$13,650,000 (2011: Nil) was made so as to decrease the cost of investments to their net recoverable values.
- (b) The amounts due from subsidiaries are non-trade nature, unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, these amounts are considered as quasi-equity loans to the Company's subsidiaries.

The directors of the Company have reviewed the net asset values of the Company's subsidiaries as at 30 June 2012 and their operating performance, and are of the view that a reversal of impairment loss of approximately HK\$35,400,000 (2011: a reversal of impairment loss of approximately HK\$212,000,000) was made so as to increase the amounts due from subsidiaries to their net recoverable values.

In addition, as a result of the disposal of the Company's subsidiaries during the year ended 30 June 2012 (see note 33 for details), the accumulated impairment losses of approximately HK\$102,183,000 in respect of amounts due from subsidiaries were eliminated upon disposal of these subsidiaries.

- (c) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.
- (d) Particulars of the Company's subsidiaries at 30 June 2012 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Base Move*	The British Virgin Islands/Macau	US\$100	-	30	Receive profit streams from gaming and entertainment related business
Credible Limited	The British Virgin Islands/Hong Kong	US\$100	100	-	Investment holding
Hero Will Limited	The British Virgin Islands/Hong Kong	US\$100	100	-	Investment holding
Koppert International Limited	The British Virgin Islands/Hong Kong	US\$100	100	-	Investment holding
Profit Forest Limited	The British Virgin Islands/Macau	US\$100	-	85	Receive profit streams from gaming and entertainment related business

# Notes to Financial Statements

For the year ended 30 June 2012

## 20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES (Continued)

Note: (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Rich Pearl Enterprises Limited	The British Virgin Islands/Hong Kong	US\$100	100	–	Investment holding
Sky Advantage Limited	The British Virgin Islands/Macau	US\$100	–	85	Receive profit streams from gaming and entertainment related business
Best Max Enterprises Limited	The British Virgin Islands/Macau	US\$100	–	100	Receive profit streams from gaming and entertainment related business
Sources Investments Limited	Hong Kong/ Hong Kong	HK\$2	100	–	Securities trading
Stand Great Limited	The British Virgin Islands/Hong Kong	US\$100	100	–	Investment holding
Walden Maritime S.A.	Republic of Panama/ Hong Kong	US\$10,000	70	–	Inactive

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

\* The currently exercisable purchased call option, if exercised, would give the Company 80% (2011: 70%) voting power over Base Move. Based on the directors' assessment, the currently exercisable purchased call option provided the Company with the potential voting rights over Base Move which in turn provided the Company with the ability to control Base Move. In preparing the Group's consolidated financial statements for the years ended 30 June 2012 and 2011, Base Move was consolidated as a subsidiary in accordance with HKAS 27 (Revised). As the Company held 30% (2011: 20%) equity interests in Base Move, 70% (2011: 80%) of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

# Notes to Financial Statements

For the year ended 30 June 2012

## 21. INTEREST IN AN ASSOCIATE/DIVIDEND RECEIVABLE FROM AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Share of net assets	<b>46,344</b>	46,465
Dividend receivable from an associate (Note a)	<b>44,783</b>	34,406
Amount due to an associate (Note b)	<b>6,972</b>	–

Note:

- (a) The dividend receivable from an associate is unsecured, interest-free and repayable on demand.
- (b) The amount due to an associate is unsecured, interest-free and repayable on demand.

At 30 June 2012, the Group had interest in the following associate:

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

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

	2012 HK\$'000	2011 HK\$'000
Intangible assets	<b>231,722</b>	231,722
Other assets	<b>81,143</b>	35,039
Total assets	<b>312,865</b>	266,761
Total liabilities	<b>(81,145)</b>	(34,435)
Net assets	<b>231,720</b>	232,326
Group's share of net assets of associate	<b>46,344</b>	46,465
Revenue	<b>51,285</b>	63,450
Profit for the year	<b>51,280</b>	102,454
Group's share of profits of associate for the year	<b>10,256</b>	20,491



# Notes to Financial Statements

For the year ended 30 June 2012

## 22. SECURITIES HELD FOR TRADING

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Securities held for trading, at fair value		
– Equity securities listed in Hong Kong	<b>2</b>	223

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

## 23. NON-CURRENT DEPOSIT/TRADE AND OTHER RECEIVABLES

### (a) Non-current deposit comprise:

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current deposit	<b>30,000</b>	–	–	–

The non-current deposit of HK\$30,000,000 at 30 June 2012 represented a deposit paid by the Group for the acquisition of an additional 10% beneficial interest in profit streams from rolling chips turnover through a junket business in Macau with a consideration of HK\$96,300,000. After completion of this acquisition, the Group will be entitled to an aggregate 20% of income from rolling chips turnover through this junket business. The remaining consideration of HK\$66,300,000 will be settled upon completion of this acquisition and the amount was disclosed in note 36 as capital commitments. Subsequent to 30 June 2012, this acquisition was completed by end of August 2012.

### (b) Trade and other receivables comprise:

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trade receivables	<b>321,117</b>	247,677	–	–
Compensations receivable under the profit guarantee agreements	–	74,992	–	–
Consideration receivable on disposal of assets classified as held for sale (see note 34)	<b>7,702</b>	–	–	–
Other receivables	<b>1,363</b>	911	<b>838</b>	808
Loans and receivables	<b>330,182</b>	323,580	<b>838</b>	808
Sundry deposits and prepayments	<b>1,132</b>	1,093	<b>174</b>	134
Total trade and other receivables	<b>331,314</b>	324,673	<b>1,012</b>	942

# Notes to Financial Statements

For the year ended 30 June 2012

## 23. NON-CURRENT DEPOSIT/TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for gaming and entertainment segment and cruise leasing segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At 30 June 2012 and 2011, no impairment loss on trade receivables was recognised by the Group.

Ageing analysis of the Group's trade receivables based on invoice date as of the end of each reporting period is as follows:

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
0 – 30 days	25,822	18,935
31 – 60 days	34,263	24,809
61 – 90 days	35,547	29,501
Over 90 days	225,485	174,432
Total trade receivables	<b>321,117</b>	247,677

### Trade receivables that are not impaired

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

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Neither past due nor impaired	25,822	18,935
Less than 1 month past due	34,263	24,809
1 to 3 months past due	74,726	54,170
More than 3 months but less than 12 months past due	186,306	149,763
Total amounts past due	<b>295,295</b>	228,742
Total trade receivables	<b>321,117</b>	247,677

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

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

Up to the date of approval of these financial statements, approximately 53% of the outstanding trade and other receivables as at 30 June 2012 have been settled subsequently.

# Notes to Financial Statements

For the year ended 30 June 2012

## 24. CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at banks and in hand	49,006	7,272	4,985	4,245
Short-term bank deposits	70,249	–	–	–
Cash balance maintained with securities companies	248	262	248	247
Cash and cash equivalents shown in the statements of financial position and the consolidated statement of cash flows	<b>119,503</b>	7,534	<b>5,233</b>	4,492

### (b) Reconciliation of profit before taxation to net cash generated from operating activities:

	Note	2012 HK\$'000	2011 HK\$'000
<b>Operating activities</b>			
Profit before taxation			
– continuing operations		439,940	354,907
– discontinued operation	10(a)	1,998	11,240
		<b>441,938</b>	366,147
Adjustments for:			
Interest income	6	(364)	(2)
Fair value changes on securities held for trading	7	–	203
Fair value changes on investment properties	7, 17	–	5,960
Impairment loss of goodwill	7, 19	–	45
Depreciation	16(a)	45	10,286
Finance costs	8(a)	202	1,551
Share of profits of associate	21	(10,256)	(20,491)
Gain on disposal of subsidiaries	33	(4,581)	–
Loss on redemption of convertible notes	7	2,109	9,001
Impairment loss of deposit paid for acquisition of a company	7	–	10,629
Impairment of intangible assets	18	–	47,100
Impairment loss on assets classified as held for sale	10	–	2,498
Changes in working capital:			
Increase in trade and other receivables		(73,946)	(62,714)
Decrease in other payables		(1,753)	(4,505)
Net cash generated from operating activities		<b>353,394</b>	365,708

# Notes to Financial Statements

For the year ended 30 June 2012

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>		
Redemption option derivatives embedded in convertible notes		
<b>At 1 July and 30 June</b>	-	-

Pursuant to the agreements in relation to the issuance of two convertible notes (see note 29), redemption options are held by the Company and the Company may at any time, from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible notes.

During the year ended 30 June 2012, all outstanding convertible notes were redeemed by the Company and the redemption option derivatives embedded in the convertible notes were then lapsed upon redemption of the convertible notes.

The redemption option derivatives were carried at fair value at 30 June 2011 and the fair value of the redemption option derivatives at 30 June 2011 amounted to zero, which was calculated by using the Binomial Option Pricing Model. Details of the variables and assumptions of the model at 30 June 2011 were as follows:

	First Convertible Note	Second Convertible Note
Remaining life at 30 June 2011	6.7 years	6.7 years
Risk free interest rate	2.52%	2.52%
Expected volatility	89.5%	89.5%

## 26. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Amounts due to cruise tenant (Note a)	-	1,728	-	-
Consideration payable for acquisition of additional equity interest in Base Move (Note b)	<b>16,000</b>	-	-	-
Interest payable	<b>8,661</b>	8,607	<b>8,660</b>	8,607
Other payables	<b>290</b>	1,540	-	-
Accruals	<b>1,683</b>	2,218	<b>1,459</b>	1,459
Provision for legal claim for rental payment	<b>1,592</b>	1,592	-	-
Financial liabilities measured at amortised cost	<b>28,226</b>	15,685	<b>10,119</b>	10,066

Note:

- The amount due to cruise tenant was unsecured, interest-free and repaid in full during the year ended 30 June 2012.
- The amount represented the remaining consideration of HK\$16,000,000 for the acquisition of additional 10% equity interest in Base Move, a non-wholly owned subsidiary of the Company engaged in receiving profit streams from gaming and entertainment related business, with a consideration of HK\$108,000,000.

# Notes to Financial Statements

For the year ended 30 June 2012

## 27. INCOME TAX PAYABLE

	<b>THE GROUP</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Balance of Hong Kong Profits Tax provision relating to prior years	<b>99</b>	1,829

## 28. DEFERRED TAX LIABILITIES

### (a) The Group

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

<b>Deferred tax arising from:</b>	<b>Convertible notes</b>	<b>Fair value gain on investment properties</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010	6,396	2,765	9,161
Credited to profit or loss			
– continuing operations	(187)	(1,490)	(1,677)
Credited to reserves	(5,183)	–	(5,183)
At 30 June 2011	1,026	1,275	2,301
At 1 July 2011	<b>1,026</b>	<b>1,275</b>	<b>2,301</b>
Credited to profit or loss			
– continuing operations	(25)	–	(25)
Credited to reserves	(1,001)	–	(1,001)
Eliminated on disposal of subsidiaries (Note 33)	–	(1,275)	(1,275)
<b>At 30 June 2012</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to Financial Statements

For the year ended 30 June 2012

## 28. DEFERRED TAX LIABILITIES (Continued)

### (b) The Company

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

<b>Deferred tax arising from:</b>	<b>Convertible notes HK\$'000</b>
At 1 July 2010	6,396
Credited to profit or loss	(187)
Credited to reserves	(5,183)
At 30 June 2011	1,026
At 1 July 2011	<b>1,026</b>
Credited to profit or loss	<b>(25)</b>
Credited to reserves	<b>(1,001)</b>
<b>At 30 June 2012</b>	<b>–</b>

## 29. CONVERTIBLE NOTES

### THE GROUP AND THE COMPANY

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

During the year ended 30 June 2012, the Company redeemed total principal amount of HK\$26,200,000 (2011: HK\$108,000,000) of the First Convertible Note for a total consideration of HK\$26,200,000 (2011: HK\$108,000,000) (the "Redemption of the First Convertible Note"), resulting in a loss of approximately HK\$1,995,000 (2011: HK\$7,715,000) from the Redemption of the First Convertible Note, which was recognised in profit or loss. After the Redemption of the First Convertible Note, no principal amount (2011: principal amount of HK\$26,200,000) of the First Convertible Note remained outstanding at 30 June 2012.

# Notes to Financial Statements

For the year ended 30 June 2012

## 29. CONVERTIBLE NOTES (Continued)

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

During the year ended 30 June 2012, the Company redeemed total principal amount of HK\$1,500,000 (2011: HK\$18,000,000) of the Second Convertible Note for a total consideration of HK\$1,500,000 (2011: HK\$18,000,000) (the "Redemption of the Second Convertible Note"), resulting in a loss of approximately HK\$114,000 (2011: HK\$1,286,000) from the Redemption of the Second Convertible Note, which was recognised in profit or loss. After the Redemption of the Second Convertible Note, no principal amount (2011: principal amount of HK\$1,500,000) of the Second Convertible Note remained outstanding at 30 June 2012.

The convertible notes contained liability component, equity component and redemption option. The equity component was presented in equity heading "convertible notes reserve" and the redemption option was presented in current assets heading "derivative financial instruments" (see note 25). The effective interest rate of the liability component was approximately 5%.

	<b>First Convertible Note</b>	<b>Second Convertible Note</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010	100,355	14,582	114,937
Interest expenses charged	1,422	129	1,551
Interest expenses payable	(380)	(35)	(415)
Redemption of convertible notes	<u>(81,078)</u>	<u>(13,513)</u>	<u>(94,591)</u>
At 30 June 2011	<u>20,319</u>	<u>1,163</u>	<u>21,482</u>
At 1 July 2011	<b>20,319</b>	<b>1,163</b>	<b>21,482</b>
Interest expenses charged	<b>191</b>	<b>11</b>	<b>202</b>
Interest expenses payable	<b>(50)</b>	<b>(4)</b>	<b>(54)</b>
Redemption of convertible notes	<b><u>(20,460)</u></b>	<b><u>(1,170)</u></b>	<b><u>(21,630)</u></b>
<b>At 30 June 2012</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>



# Notes to Financial Statements

For the year ended 30 June 2012

## 30. SHARE CAPITAL AND RESERVES

### (a) Movements in components of equity

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

The Company	Share capital HK\$'000	Share premium HK\$'000	Convertible notes reserve HK\$'000	Non- distributable reserve HK\$'000	Share options reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
Balance at 1 July 2010	38,472	910,015	80,366	1,264	9,562	(133,708)	905,971
Profit and total comprehensive income for the year	-	-	-	-	-	185,168	185,168
Transfer to accumulated losses upon the redemption of convertible notes	-	-	(76,290)	-	-	53,881	(22,409)
Deferred tax effect on equity component of convertible notes	-	-	5,183	-	-	-	5,183
Transfer to accumulated losses upon lapse of share options	-	-	-	-	(4,986)	4,986	-
<b>Balance at 30 June 2011 and 1 July 2011</b>	<b>38,472</b>	<b>910,015</b>	<b>9,259</b>	<b>1,264</b>	<b>4,576</b>	<b>110,327</b>	<b>1,073,913</b>
Profit and total comprehensive income for the year	-	-	-	-	-	89,150	89,150
Transfer to retained profits upon the redemption of convertible notes	-	-	(10,260)	-	-	6,299	(3,961)
Deferred tax effect on equity component of convertible notes	-	-	1,001	-	-	-	1,001
<b>Balance at 30 June 2012</b>	<b>38,472</b>	<b>910,015</b>	<b>-</b>	<b>1,264</b>	<b>4,576</b>	<b>205,776</b>	<b>1,160,103</b>

# Notes to Financial Statements

For the year ended 30 June 2012

## 30. SHARE CAPITAL AND RESERVES (Continued)

### (b) Share capital

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
<b>At 1 July 2010, 30 June 2011 and 30 June 2012</b>		
– ordinary shares of HK\$0.01 each	<u>50,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>		
<b>At 1 July 2010, 30 June 2011 and 30 June 2012</b>		
– ordinary shares of HK\$0.01 each	<u>3,847,245</u>	<u>38,472</u>

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

### (c) Nature and purpose of reserves

#### (i) Share premium

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

#### (ii) Convertible notes reserve

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

#### (iii) Share options reserve

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

#### (iv) Other reserve

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

### (d) Distributability of reserves

At 30 June 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance, was HK\$205,776,000 (2011: HK\$110,327,000).

# Notes to Financial Statements

For the year ended 30 June 2012

## 31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Schemes (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 (2011: HK\$20,000). Contributions to the plan vest immediately.

## 32. EQUITY SETTLED SHARE-BASED TRANSACTIONS

### Old Share Option Scheme

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

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

- (i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;
- (ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and
- (iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the closing price of the Company’s share listed on the Stock Exchange on the date of grant of the share options; and (b) the average closing price of the Company’s shares listed on the Stock Exchange on five trading days immediately preceding the date of the grant of the share options.

# Notes to Financial Statements

For the year ended 30 June 2012

## 32. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

### Old Share Option Scheme (Continued)

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

### New Share Option Scheme

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

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

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 32. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

### New Share Option Scheme (Continued)

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

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

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

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

### Details of share options granted

At 30 June 2012, the total number of shares available for issue under the Scheme was 266,000 (2011: 266,000) shares, representing 0.01% (2011: 0.01%) of the share capital of the Company in issue as at 30 June 2012. During the year ended 30 June 2011, 3,000,000 options (2012: Nil) granted under the Scheme were lapsed because the eligible participant left the Group.

At 30 June 2012, the total number of shares available for issue under the New Scheme was 57,500,000 (2011: 57,500,000) shares, representing 1.49% (2011: 1.49%) of the share capital of the Company in issue as at 30 June 2012.

The options under the Scheme and the New Scheme have exercise prices of HK\$0.728 and HK\$0.337 respectively. At 30 June 2012, the weighted average remaining contractual life of the options was 5.14 years (2011: 6.14 years).

# Notes to Financial Statements

For the year ended 30 June 2012

## 32. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2012 and 2011 are as follows:

Participants	Share option type*	Number of share options outstanding and exercisable			Date of grant of share options**	Exercise period of share options	Exercise price of share options	Fair value at grant date	Closing price of the Company's shares immediately before the grant date
		At 1 July 2010 '000	Lapsed during the year ended 30 June 2011 '000	At 30 June 2011 and 2012* '000					
<b>Directors</b>									
Mr. Lin Cheuk Fung	2007A	90	-	90	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	-	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Chan Shiu, Kwong, Stephen	2007A	88	-	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	-	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Lau Kwok Hung	2007A	88	-	88	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
	2008A	2,300	-	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Wan Yau Shing, Ban (resigned on 1 March 2011)	2007A	3,000	(3,000)	-	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.686	0.7
Mr. Nicholas J. Niglio	2008A	2,300	-	2,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
Mr. Chan Choi Kam	2008A	23,000	-	23,000	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
<b>Consultants and employees</b>									
In aggregate	2008A	25,300	-	25,300	29/10/2007	29/10/2007 to 28/10/2017	0.337	0.127	0.325
		60,766	(3,000)	57,766					

\* Share option types of 2007A and 2008A represent share options granted during the years ended 30 June 2007 and 2008, respectively. During the years ended 30 June 2012 and 2011, no share options were granted or exercised.

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



# Notes to Financial Statements

For the year ended 30 June 2012

## 33. DISPOSAL OF SUBSIDIARIES

On 23 August 2011, the Company entered into a conditional sale and purchase agreement with an independent third party to dispose of its entire equity interests in certain subsidiaries including Jumbo Profit Investments Limited, World Target International Limited and their subsidiaries (collectively referred to as the "Disposal Group") at a consideration of HK\$33,000,000. The principal activities of the Disposal Group were property development and securities trading. The disposal was completed in December 2011.

Details of net assets of the Disposal Group at the date of disposal were summarised below:

	<b>HK\$'000</b>
<b>Assets and liabilities over which control was lost</b>	
Investment properties	32,800
Securities held for trading	221
Cash and bank balances	148
Other receivables	15
Other payables	(1,760)
Income tax payable	(1,730)
Deferred tax liabilities	<u>(1,275)</u>
Net assets disposed of	28,419
Gain on disposal of subsidiaries	<u>4,581</u>
	<b><u>33,000</u></b>
<b>Total consideration satisfied by:</b>	
Cash consideration received	<u>33,000</u>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	33,000
Less: Cash and bank balances disposed of	<u>(148)</u>
	<b><u>32,852</u></b>



# Notes to Financial Statements

For the year ended 30 June 2012

## 34. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In June 2011, the Group intended to dispose of its cruise ship and related assets within twelve months from 30 June 2011 and these assets were therefore classified as assets held for sale and presented separately in the consolidated statement of financial position at 30 June 2011.

On 24 June 2011, the Group entered into a memorandum of agreement with an independent third party to sell its cruise ship and related assets for a consideration of US\$11,800,000 (equivalent to approximately HK\$91,804,000). The disposal was completed in August 2011. The proceeds from the disposal were expected to be less than the total carrying amounts of the assets classified as held for sale, and accordingly, an impairment loss of HK\$2,498,000 was recognised during the year ended 30 June 2011 to write-down their carrying amounts to their fair value less costs to sell.

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

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

The consideration of US\$11,800,000 (equivalent to approximately HK\$91,804,000) would be settled by the vendor in the following manner:

	HK\$'000
Deposit of US\$5,900,000 to be received upon completion	45,902
12 monthly installments of approximately US\$492,000 to be received after completion	<u>45,902</u>
Total consideration	<u>91,804</u>

At 30 June 2012, the Group received part of the consideration amounting to HK\$84,102,000 and the remaining consideration of HK\$7,702,000 was received by the Group subsequent to 30 June 2012.

# Notes to Financial Statements

For the year ended 30 June 2012

## 35. COMMITMENTS

At 30 June 2012 and 2011, the total future minimum lease payments under non-cancellable operating leases in respect of the properties are payable as follows:

	THE GROUP AND THE COMPANY	
	2012 HK\$'000	2011 HK\$'000
Within 1 year	180	80

## 36. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2012 and 2011 not provided for in the financial statements were as follows:

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Contracted for – acquisition of additional beneficial interest in profit streams (see note 23(a))	66,300	–	–	–

## 37. CONTINGENT LIABILITIES

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

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the Company's directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the years ended 30 June 2012 and 2011, there has been no significant progress.

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

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

# Notes to Financial Statements

For the year ended 30 June 2012

## 38. MATERIAL RELATED PARTY TRANSACTIONS

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

### Key management personnel remuneration

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

	2012 HK\$'000	2011 HK\$'000
Salaries and other short-term benefits	2,289	2,290
Post-employment benefits	32	54
Total	<u>2,321</u>	<u>2,344</u>

## 39. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2012:

- (i) In August 2012, a wholly-owned subsidiary of the Company entered into three separate memorandums of understanding in relation to possible investments in profit assignment from the gaming and entertainment related business in Macau.
- (ii) In August 2012, the Company entered into a sale and purchase agreement for acquisition of a property in Hong Kong for self-use as the principal office of the Company at a consideration of HK\$51,000,000 (excluding direct cost), of which HK\$26,000,000 was settled by cash and the remaining balance of HK\$25,000,000 was financed by mortgage loan, and the acquisition was completed on 30 August 2012.

# Notes to Financial Statements

For the year ended 30 June 2012

## 40. PARTICULARS OF CONTROLLED SPECIAL PURPOSE ENTITIES

There were two special purpose entities controlled by the Group, which operate in Macau, particulars of which are as follows:

<b>Name of special purpose entity</b>	<b>Principal activities</b>
Profit Forest (Macau) Ltd	Receiving trade debts from the Group's customers and
Base Move Investments (Macau) Ltd	remitting cash to the Group's entities

At 30 June 2012, assets in these special purpose entities mainly consisted of bank balances.

## 41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2012

Up to the date of approval of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2012 and which have not been adopted in these financial statements.

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	<i><b>Effective for accounting periods beginning on or after</b></i>
Amendments to HKAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to HKAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (as revised in 2011) "Employee Benefits"	1 January 2013
HKAS 27 (as revised in 2011) "Separate Financial Statements"	1 January 2013
HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures"	1 January 2013
Amendments to HKAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKFRSs "Annual Improvements to HKFRSs 2009-2011 Cycle"	1 January 2013
Amendments to HKFRS 1 "Government Loans"	1 January 2013
Amendments to HKFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities	1 January 2013

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# Notes to Financial Statements

For the year ended 30 June 2012

## 41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9 “Financial Instruments”	1 January 2015
HKFRS 10 “Consolidated Financial Statements”	1 January 2013
HKFRS 11 “Joint Arrangements”	1 January 2013
HKFRS 12 “Disclosure of Interests in Other Entities”	1 January 2013
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	1 January 2013
HKFRS 13 “Fair Value Measurement”	1 January 2013
HK(IFRIC) – Int 20 “Stripping Costs in the Production Phase of a Surface Mine”	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group’s or the Company’s results of operations and financial positions.