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

ANNUAL RESULTS 2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

The Board of Directors (the "**Board**" or "**Directors**") of China Vanguard Group Limited (the "**Company**") presented the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 30 June 2013 ("**Year 2013**") together with comparative figures for the previous year ("**Year 2012**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	**Year ended 30-6-2013** *HK$'000*	Year ended 30-6-2012 *HK$'000*
Revenue	*4*	**62,409**	104,838
Cost of sales		**(17,529)**	(37,933)
Gross profit		**44,880**	66,905
Other revenue	*4*	**1,273**	1,318
Selling and distribution costs		**(6,554)**	(10,833)
Administrative expenses		**(79,195)**	(89,323)
Operating loss		**(39,596)**	(31,933)
Impairment loss on goodwill		**–**	(996,373)
Impairment loss on available-for-sale financial assets		**–**	(63,783)
Loss on disposal of subsidiaries		**–**	(2,606)
Loss on disposal of available-for-sale financial assets		**–**	(21)
Gain on disposal of a jointly controlled entity		**6,640**	–
Gain on changes in fair value of derivative financial instruments		**–**	116
Finance costs	*5*	**(10,135)**	(10,315)
Loss before taxation	*6*	**(43,091)**	(1,104,915)
Income tax expenses	*7*	**(749)**	(3,036)
LOSS FOR THE YEAR		**(43,840)**	(1,107,951)
Other comprehensive income (expenses) for the year, after tax:			
Items that will not be reclassified to profit or loss:			
Changes of interests in subsidiaries and a subsidiary of a jointly controlled entity		**–**	(27,270)
Release on disposal of a jointly controlled entity		**(6,015)**	–
		(6,015)	(27,270)

	Notes	**Year ended 30-6-2013** *HK$'000*	Year ended 30-6-2012 *HK$'000*
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**6,071**	2,173
		6,071	2,173
Other comprehensive income (expenses) for the year, net of tax		**56**	(25,097)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(43,784)**	(1,133,048)
Loss attributable to:			
Equity holders of the Company		**(41,522)**	(1,107,505)
Non-controlling interests		**(2,318)**	(446)
		(43,840)	(1,107,951)
Total comprehensive expenses attributable to:			
Equity holders of the Company		**(34,031)**	(1,094,297)
Non-controlling interests		**(9,753)**	(38,751)
		(43,784)	(1,133,048)
			(Restated)
Loss per share			
Basic	*9*	**(HK5.87 cents)**	(HK169.65 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30-6-2013** **HK$'000**	30-6-2012 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**31,478**	16,154
Goodwill	*17*	**94,608**	94,475
Other intangible assets		**–**	–
Available-for-sale financial assets	*13*	**–**	–
Prepaid lease payments		**4,255**	–
		130,341	110,629
Current assets			
Available-for-sale financial assets	*13*	**18,578**	–
Prepaid lease payments		**121**	–
Inventories	*11*	**4,170**	3,936
Trade and other receivables and prepayments	*12*	**49,479**	43,543
Pledged bank deposits		**5,262**	5,223
Bank balances and cash		**3,879**	81,186
		81,489	133,888
Current liabilities			
Trade payables, accrued liabilities and other payables	*14*	**15,269**	60,676
Tax liabilities		**1,837**	2,271
Bank and other borrowings	*15*	**54,265**	32,419
Amounts due to directors		**5,520**	584
Convertible bonds		**–**	7,365
		76,891	103,315
Net current assets		**4,598**	30,573
Total assets less current liabilities		**134,939**	141,202
Non-current liabilities			
Bank and other borrowings	*15*	**–**	74,331
Loan from shareholder	*16*	**76,352**	–
		76,352	74,331
Net assets		**58,587**	66,871
Capital and reserves			
Share capital		**37,719**	32,719
Reserves		**14,416**	17,947
Equity attributable to equity holders of the Company		**52,135**	50,666
Non-controlling interests		**6,452**	16,205
Total equity		**58,587**	66,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Share option reserve	Translation reserve	Special reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011	32,219	2,157,154	234	35,572	11,092	20,722	(1)	–	(1,120,429)	1,136,563	54,590	1,191,153
Loss for the year	–	–	–	–	–	–	–	–	(1,107,505)	(1,107,505)	(446)	(1,107,951)
Exchange differences on translation of financial statements of overseas operations	–	–	–	–	–	2,958	–	–	–	2,958	(785)	2,173
Changes of interests in subsidiaries and a subsidiary of a jointly controlled entity	–	–	–	–	–	55	–	10,195	–	10,250	(37,520)	(27,270)
Total comprehensive income (expenses) for the year	–	–	–	–	–	3,013	–	10,195	(1,107,505)	(1,094,297)	(38,751)	(1,133,048)
Shares issued on exercise of warrants	500	7,900	–	–	–	–	–	–	–	8,400	–	8,400
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,763	3,763
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,397)	(3,397)
At 30 June 2012 and 1 July 2012	32,719	2,165,054	234	35,572	11,092	23,735	(1)	10,195	(2,227,934)	50,666	16,205	66,871
Loss for the year	–	–	–	–	–	–	–	–	(41,522)	(41,522)	(2,318)	(43,840)
Exchange differences on translation of financial statements of overseas operations	–	–	–	–	–	7,454	–	–	–	7,454	(1,383)	6,071
Release on disposal of a jointly controlled entity	–	–	–	–	–	37	–	–	–	37	(6,052)	(6,015)
Total comprehensive income (expenses) for the year	–	–	–	–	–	7,491	–	–	(41,522)	(34,031)	(9,753)	(43,784)
Shares issued on loan capitalization	5,000	30,500	–	–	–	–	–	–	–	35,500	–	35,500
Share options lapsed	–	–	–	–	(11,092)	–	–	–	11,092	–	–	–
At 30 June 2013	37,719	2,195,554	234	35,572	–	31,226	(1)	10,195	(2,258,364)	52,135	6,452	58,587

Notes:

(a) The employee share-based compensation reserve comprises the cumulative value of employee services received for the issue of shares under share award scheme.

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

(c) The translation reserve comprises:

(i) The foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

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

(d) Capital reserve represents gain on acquisition and disposal of interests in subsidiaries and a subsidiary of a jointly controlled entity. Detail is summarized as follows:

During the year ended 30 June 2012, the Group acquired a 49% equity interest in Cheerfull Group Holdings Limited ("Cheerfull"), a 1% equity interest in Shenzhen Longjiang Fengcai IT Co. Limited ("SZLFC") and disposed a 2.94% equity interest in Chongqing Lightsoft Technology Development Co., Limited ("CLTD").

	Cheerfull	**SZLFC**	**CLTD**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of consideration (paid) received	(27,200)	(304)	234	(27,270)
Amounts recognized as non-controlling interests	37,044	699	(223)	37,520
Exchange differences	–	(55)	–	(55)
Positive movement in parent equity	9,844	340	11	10,195
Increase (decrease) in equity interest	49%	1%	(2.94%)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and presentation currency.

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

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss".

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories:

(a) items that will not be reclassified subsequently to profit or loss; and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except for the amendments to HKAS 1 as described above, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 19 (As revised in 2011)	Employee benefits[1]
HKAS 27 (As revised in 2011)	Separate financial statements[1]
HKAS 28 (As revised in 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[2]
HKAS 36 (Amendments)	Recoverable amount disclosure for non-financial assets[2]
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting[2]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle[1]

HKFRS 1 (Amendments)	Government loans[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9	Financial instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The directors of the Company anticipate that HKFRS 9 will be adopted by the Group's consolidated financial statements for the annual period beginning on 1 July 2015. Except for the Group's available-for-sale investment, the adoption of HKFRS 9 has no other impact on amounts reported in respect of the classification and measurement of the Group's other financial assets and financial liabilities as at 30 June 2013. In the opinion of the directors of the Company, it is not practicable to provide a reasonable estimate of the effect on the Group's available-for-sale investment until a detailed review has been completed.

Consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (As revised in 2011) and HKAS 28 (As revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC) – Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time. These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors of the Company anticipate that the application of HKFRS 10, HKFRS 12, HKAS 27 (As revised in 2011) and HKAS 28 (As revised 2011) will have no significant impact on the Group's financial performance and position and/or on the disclosures set out in these consolidated financial statements.

Moreover, the application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities which are currently presented under HKAS 31 and have been accounted for using the proportionate consolidation method. Under HKFRS 11, investments in jointly controlled entities will be classified as joint ventures and will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of jointly controlled entities' respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated statement of profit or loss and other comprehensive income as 'investment in joint ventures' and 'share of profits (loss) of joint ventures' respectively.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted by the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and that the application of the new standard may result in more extensive disclosures about fair value measurements in the consolidated financial statements.

Other than as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and position and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

The factors that used to identify the Group's operating segments, including the basis of organization are mainly based on the types of products sold and services provided by the Group's operating divisions as follows:

(a) Provision of lottery-related services

(b) Provision of entertainment value-added services ("VAS")

(c) Others included wineries, distribution of natural supplementary products, catering services and sales of animal feeds

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

Year ended 30-6-2013

	Lottery-related services *HK$'000*	**Entertainment VAS** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**38,959**	**23,311**	**139**	**62,409**
Segment results	**3,502**	**(4,886)**	**(2,395)**	**(3,779)**
Unallocated income				**41**
Unallocated expenses				**(35,858)**
Finance costs				**(10,135)**
Gain on disposal of a jointly controlled entity				**6,640**
Loss before taxation				**(43,091)**
Income tax expenses				**(749)**
Loss for the year				**(43,840)**

Year ended 30-6-2012

	Lottery-related services *HK$'000*	Entertainment VAS *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	53,985	44,453	6,400	104,838
Segment results	9,041	(1,002,369)	(8,297)	(1,001,625)
Unallocated income				325
Unallocated expenses				(29,517)
Finance costs				(10,315)
Impairment loss on available-for-sale financial assets				(63,783)
Loss before taxation				(1,104,915)
Income tax expenses				(3,036)
Loss for the year				(1,107,951)

(b) Segment assets and liabilities

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

30-6-2013

	Lottery-related services *HK$'000*	**Entertainment VAS** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**144,653**	**35,784**	**8,109**	**188,546**
Unallocated assets				**23,284**
Total assets				**211,830**
Liabilities				
Segment liabilities	**26,704**	**5,141**	**5,272**	**37,117**
Unallocated liabilities				**79,504**
Bank and other borrowings				**36,622**
Total liabilities				**153,243**

30-6-2012

	Lottery-related services *HK$'000*	Entertainment VAS *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	137,239	76,859	4,517	218,615
Unallocated assets				25,902
Total assets				244,517
Liabilities				
Segment liabilities	8,016	43,808	971	52,795
Unallocated liabilities				10,736
Bank and other borrowings				106,750
Convertible bonds				7,365
Total liabilities				177,646

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

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

(c) Other segment information

Year ended 30-6-2013

	Lottery-related services *HK$'000*	**Entertainment VAS** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	**20,171**	**216**	**622**	**21,009**
Loss on disposal of property, plant and equipment	**–**	**(6)**	**(711)**	**(717)**
Allowances for doubtful receivables	**–**	**93**	**–**	**93**
Written-off of bad debts	**–**	**49**	**–**	**49**
Written-off of inventories	**–**	**121**	**306**	**427**
Written-off of deposits and other receivables	**–**	**–**	**115**	**115**
Depreciation and amortization	**4,283**	**1,656**	**385**	**6,324**

Year ended 30-6-2012

	Lottery-related services *HK'000*	Entertainment VAS *HK'000*	Others *HK'000*	Total *HK'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	869	192	4,206	5,267
Gain (loss) on disposal of property, plant and equipment	(6)	46	147	187
Written-off of bad debts	775	–	84	859
Written-off of inventories	15	31	296	342
Impairment loss on available-for-sale financial assets	–	–	63,783	63,783
Impairment loss on goodwill	–	996,373	–	996,373
Depreciation and amortization	11,929	2,828	885	15,642

(d) Geographical information

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

	Revenue from external customers	
	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
PRC	**62,355**	104,714
Hong Kong	**54**	124
	62,409	104,838

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

	Carrying amount of segment assets		**Additions to property, plant and equipment Capital expenditure**	
	30-6-2013	30-6-2012	**30-6-2013**	30-6-2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**206,297**	134,673	**21,201**	4,923
Hong Kong	**5,533**	109,844	**2,076**	344
	211,830	244,517	**23,277**	5,267

Revenue from major products and services

The Group's revenue from its products is as follows:

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Lottery-related services	**38,959**	53,985
Entertainment VAS	**23,311**	44,453
Others	**139**	6,400
	62,409	104,838

(e) Information about major customers

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

	The Group	
	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Customer A – Provision of entertainment VAS	**14,549**	27,785
Customer B – Provision of lottery-related services	**30,599**	43,956

4. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) provision of entertainment VAS and (iii) catering services.

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

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Revenue		
Provision of lottery-related services	**38,959**	53,985
Provision of entertainment VAS	**23,311**	44,453
Sales of goods	**32**	25
Catering services	**53**	6,251
Distribution of natural supplementary products	**54**	124
	62,409	104,838

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Other revenue		
Interest income	**168**	649
Others	**1,105**	669
	1,273	1,318

5. FINANCE COSTS

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Interest on:		
– Borrowings wholly repayable within five years	**9,927**	9,589
– Convertible bonds	**208**	726
	10,135	10,315

6. LOSS BEFORE TAXATION

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Staff cost (excluding Directors' emoluments):		
– Wages and salaries	**29,328**	36,106
– Retirement benefits scheme contributions	**316**	440
Total staff costs	**29,644**	36,546
Cost of inventories sold	**17,529**	37,933
Auditors' remuneration:		
– Provide for the year	**1,115**	1,389
– Over provision in prior year	**–**	(50)
Depreciation of property, plant and equipment	**6,723**	15,642
Amortization of prepaid lease payments	**109**	–
Impairment loss on goodwill	**–**	996,373
Impairment loss on available-for-sale financial assets	**–**	63,783
Loss on disposal of subsidiaries	**–**	2,606
Loss on disposal of available-for-sale financial assets	**–**	21
Minimum lease payments under operating leases:		
– Land and buildings	**6,505**	8,348
– Office equipment	**11**	–
Loss (gain) on disposal of property, plant and equipment	**732**	(187)
Allowances for doubtful receivables	**93**	–
Written-off of amount due from a related company	**2,801**	–
Gain on disposal of a jointly controlled entity	**(6,640)**	–
Gain on changes in fair value of derivative financial instruments	**–**	(116)
Written-off of bad debts	**49**	859
Written-off of inventories	**427**	342
Exchange losses, net	**5,937**	1,356
Written-off of deposits and other receivables	**115**	–

7. INCOME TAX EXPENSES

The amount of tax charged to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 30-6-2013 *HK$'000*	Year ended 30-6-2012 *HK$'000*
The charge comprises:		
Current year		
– Hong Kong Profits Tax	**–**	–
– Other jurisdiction	**728**	2,947
	728	2,947
Under provision in prior years		
– Hong Kong Profits Tax	**–**	–
– Other jurisdiction	**21**	89
	21	89
Income tax expenses charged for the year	**749**	3,036

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit derived in Hong Kong for both years. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

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

	Year ended 30-6-2013 ***HK$'000***	Year ended 30-6-2012 *HK$'000*
Loss before taxation	**(43,091)**	(1,104,915)
Tax at the Hong Kong Profits Tax rate	**(7,110)**	(182,311)
Tax concession	**(395)**	(708)
Tax effect of expenses that are not deductible for tax purposes	**2,075**	178,405
Tax effect of income that is not taxable for tax purposes	**(3,138)**	(6,137)
Tax effect of tax losses not recognized	**8,909**	12,160
Tax effect of utilization of tax losses previously not recognized	**–**	(11)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**159**	1,575
Others	**228**	(26)
Tax effect of under provision in prior years	**21**	89
Income tax expenses	**749**	3,036

Note: The applicable tax rate for Hong Kong is 16.5% (Year ended 30-6-2012: 16.5%) and applicable tax rate in the PRC is 25% (Year ended 30-6-2012: 24%-25%).

At the end of the reporting period, the Group has unused tax losses of approximately HK$77,734,000 (30-6-2012: approximately HK$75,994,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profits streams. Deductible temporary differences have not been recognized in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unused estimated tax losses are losses of approximately HK$34,251,000 (30-6-2012: approximately HK$33,944,000) that will expire within 1 to 5 years from the year origination. Other losses may be carried forward indefinitely.

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

	Year ended 30-6-2013 ***HK$'000***	Year ended 30-6-2012 *HK$'000*
Deductible temporary differences:		
Unutilized tax losses	**77,734**	75,994
Others	**11,804**	7,645
Accelerated tax allowances	**–**	643
Taxable temporary differences:		
Accelerated tax allowances	**(370)**	–
	89,168	84,282

8. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2013, nor has any dividend been proposed since the end of reporting date (30-6-2012: Nil).

9. LOSS PER SHARE

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

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Loss for the year attributable to the equity holders of the Company	**(41,522)**	(1,107,505)
Number of shares		
		(Restated)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**707,803**	652,794

The comparative amount of the basic loss per share for the year ended 30 June 2012 has been adjusted to reflect the impact of the share consolidation during the year.

As the Company did not have outstanding share option and convertible bond as at 30 June 2013, the calculation of diluted loss per share is the same as the basic loss per share.

For year ended 30 June 2012, outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Plant and machinery	Leasehold improvement	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 July 2011	1,360	18,789	56,034	4,137	7,895	5,143	93,358
Additions	–	1,036	–	3,442	412	377	5,267
Disposal	–	(172)	(10,986)	–	(377)	–	(11,535)
Disposal of subsidiaries	–	(382)	–	(3,383)	(55)	–	(3,820)
Exchange realignment	19	257	774	35	83	62	1,230
At 30 June 2012 and 1 July 2012	1,379	19,528	45,822	4,231	7,958	5,582	84,500
Additions	–	540	19,486	2,447	176	344	22,993
Acquisition of a subsidiary	–	–	–	181	103	–	284
Disposal	–	(757)	(38,948)	(2,830)	(194)	(235)	(42,964)
Disposal of a jointly controlled entity	–	(1,099)	–	(515)	(2,412)	(337)	(4,363)
Exchange realignment	49	645	1,619	103	216	172	2,804
At 30 June 2013	1,428	18,857	27,979	3,617	5,847	5,526	63,254
DEPRECIATION							
At 1 July 2011	199	9,374	41,309	3,074	4,972	4,443	63,371
Charged for the year	43	3,177	10,484	545	1,272	121	15,642
Eliminated on disposal	–	(108)	(10,986)	–	(334)	–	(11,428)
Eliminated on disposal of subsidiaries	–	(11)	–	–	(2)	–	(13)
Exchange realignment	4	106	536	21	46	61	774
At 30 June 2012 and 1 July 2012	246	12,538	41,343	3,640	5,954	4,625	68,346
Charged for the year	44	2,335	3,028	342	833	141	6,723
Disposal	–	(468)	(38,948)	(2,363)	(98)	(235)	(42,112)
Eliminated on disposal of a jointly controlled entity	–	(907)	–	(513)	(2,061)	(139)	(3,620)
Exchange realignment	10	472	1,508	79	219	151	2,439
At 30 June 2013	300	13,970	6,931	1,185	4,847	4,543	31,776
NET BOOK VALUES							
At 30 June 2013	**1,128**	**4,887**	**21,048**	**2,432**	**1,000**	**983**	**31,478**
At 30 June 2012	1,133	6,990	4,479	591	2,004	957	16,154

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

At 30 June 2013, none of the Group's property, plant and equipment was held under finance lease (30-6-2012: Nil).

The Group has pledged plant and machinery having a net book value of HK$17,427,000 (30-6-2012: Nil) to secure a bank loan granted to the Group.

11. INVENTORIES

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Raw materials and consumables	**3,190**	3,297
Finished goods	**980**	639
	4,170	3,936

All inventories are stated at cost.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Trade receivables	**12,698**	16,813
Other receivables and prepayments	**39,427**	29,164
	52,125	45,977
Less: Allowances for doubtful receivables	**(2,646)**	(2,434)
	49,479	43,543

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance. The following is an aged analysis of trade receivables at the end of reporting dates:

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
0 to 30 days	**4,788**	5,756
31 to 60 days	**2,740**	1,483
61 to 180 days	**2,832**	7,471
181 to 365 days	**2,242**	1,950
Over 1 year	**96**	153
	12,698	16,813

The trade receivables with carrying amount of approximately HK$8,979,000 (30-6-2012: approximately HK$10,876,000) are neither past due nor impaired at the reporting date.

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

During the year ended 30 June 2013, the Group made an allowance of approximately HK$93,000 (Year ended 30-6-2012: Nil) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date.

Movement in the allowance for bad and doubtful debts:

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Balance at the beginning of the year	**2,434**	10,012
Charged for the year – trade receivables	**93**	–
Amount written off	**–**	(7,610)
Exchange adjustments	**119**	32
Balance at the end of the year	**2,646**	2,434

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

Included in the Group's trade receivables with a carrying amount of approximately HK$3,550,000 (30-6-2012: approximately HK$5,863,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
0-30 days	**–**	691
31-60 days	**1,050**	684
61-180 days	**–**	2,606
181-365 days	**2,254**	1,803
Over 1 year	**246**	79
	3,550	5,863

The fair value of the Group's trade receivables as at 30 June 2013 approximates to the corresponding carrying amount.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed investment *HK$'000*	Unlisted investment *HK$'000*	Total *HK$'000*
COST			
At 1 July 2011, 30 June 2012 and 1 July 2012	3	63,780	63,783
Recognized on disposal of a jointly controlled entity	–	18,285	18,285
Exchange realignment	–	293	293
At 30 June 2013	3	82,358	82,361
IMPAIRMENT			
At 1 July 2011	–	–	–
Impairment loss recognized for the year	3	63,780	63,783
At 30 June 2012 and 1 July 2012	3	63,780	63,783
Impairment loss recognized for the year	–	–	–
At 30 June 2013	3	63,780	63,783
CARRYING VALUES			
At 30 June 2013	**–**	**18,578**	**18,578**
At 30 June 2012	–	–	–
	(Note a)	*(Note b)*	

	30-6-2013 ***HK$'000***	30-6-2012 *HK$'000*
Analysis for reporting purpose:		
Non-current portion	**–**	–
Current portion	**18,578**	–
	18,578	–

(a) Listed investment represents investment in an equity securities listed in Hong Kong. By considering that there was a significant decline in the fair value of the listed equity securities below its cost, the change in fair value is considered to be objective evidence of impairment and charged to profit or loss directly. During the year ended 30 June 2013, impairment loss of Nil has been made (Year ended 30-6-2012: approximately HK$3,000).

(b) Unlisted investment represents investment in an unlisted equity securities issued by private entities incorporated in the PRC. In the opinion of directors, the Group is unable to exercise significant influence on the financial and operation of the investee, therefore, the investment is classified as available-for-sale financial assets.

The unlisted investment is measured at cost less impairment at the end of the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are in the opinion that its fair value cannot be measured reliably. During the year ended 30 June 2013, impairment loss of Nil had been made (Year ended 30-6-2012: approximately HK$63,780,000).

14. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Trade payables	**782**	32,259
Accrued liabilities and other payables	**14,487**	28,417
	15,269	60,676

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

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
0 to 30 days	**28**	716
31 to 120 days	**157**	21,212
121 to 180 days	**568**	310
181 to 365 days	**–**	8,965
Over 1 year	**29**	1,056
	782	32,259

The fair value of the Group's trade payables, accrued liabilities and other payables as at 30 June 2013 approximates to the corresponding carrying amount.

15. BANK AND OTHER BORROWINGS

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Other loan, secured *(Note a)*	**24,174**	20,000
Other loan, unsecured *(Note b)*	**16**	74,331
Bank overdraft, secured *(Note c)*	**12,432**	12,419
Bank loan, secured *(Note d)*	**17,643**	–
	54,265	106,750

Bank and other borrowings are repayable as follows:

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
On demand or within one year	**54,265**	32,419
One to two years	**–**	74,331
	54,265	106,750
Less: Amounts shown under current liabilities	**(54,265)**	(32,419)
Long term portion	**–**	74,331

Notes:

(a) Other loan of approximately HK$24,174,000 (30-6-2012: HK$20,000,000) is interest charged at 20%-22% (30-6-2012: 20%) per annum, secured by pledge of shares of a subsidiary and repayable in next twelve months.

(b) Other loan of approximately HK$16,000 (30-6-2012: approximately HK$74,331,000) is interest free (30-6-2012: 12% per annum), unsecured and repayable in next twelve months.

(c) Bank overdraft of approximately HK$12,432,000 (30-6-2012: approximately HK$12,419,000) is interest charged at prime rate and 8% over prime rate (30-6-2012: 5.25%) per annum, secured by pledge bank deposit and corporate guarantee by the Company.

(d) Bank loan of approximately HK$17,643,000 (30-6-2012: Nil) is interest charged at 7.5% per annum, secured by plant and machinery, shares of a subsidiary, corporate guarantee by third party, the Company and its subsidiaries, personal guarantee by directors and repayable in next twelve months.

16. LOAN FROM SHAREHOLDER

	30-6-2013	30-6-2012
	HK$'000	*HK$'000*
Best Frontier Investments Limited	**76,352**	–

The amount is interest charged at 2% per annum, unsecured and repayable on 29 November 2014.

17. GOODWILL

	Lottery-related services HK$'000	Entertainment VAS HK$'000	Wineries HK$'000	Total HK$'000
COST				
At 1 July 2011, 30 June 2012 and 1 July 2012	94,475	2,016,496	–	2,110,971
Acquisition of a subsidiary	–	–	133	133
At 30 June 2013	94,475	2,016,496	133	2,111,104
IMPAIRMENT				
At 1 July 2011	–	1,020,123	–	1,020,123
Impairment loss recognized for the year	–	996,373	–	996,373
At 30 June 2012 and at 1 July 2012	–	2,016,496	–	2,016,496
Impairment loss recognized for the year	–	–	–	–
At 30 June 2013	–	2,016,496	–	2,016,496
CARRYING VALUES				
At 30 June 2013	**94,475**	**–**	**133**	**94,608**
At 30 June 2012	94,475	–	–	94,475

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

For the year ended 30 June 2013, the Group recognized an impairment loss of Nil (Year ended 30-6-2012: approximately HK$996,373,000) in relation to goodwill arising on entertainment VAS business.

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

(a) Entertainment VAS

On 22 June 2011, a joint venture partner of entertainment VAS business started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity for operation of entertainment VAS business. On 30 July 2012, the Company received arbitration decision. The joint venture partner of entertainment VAS has applied for an order from the Beijing Second Intermediate People's Court for implementation of the arbitration decision in September 2012 that:

(i) the joint venture agreement dated 15 July 2007 was terminated;

(ii) the share transfer agreement signed in August 2007 was terminated and 20% interest in the joint venture which was transferred back to the joint venture partner from the Group's jointly controlled entity, China Culture Development Digital Technology Co., Limited.

In determining the recoverable amount of the goodwill regarding the provision of entertainment VAS, the directors of the Company have taken the assumption that the operation of the provision of entertainment VAS would be adversely affected by the arbitration decision together with unfavourable result of operations for early termination of joint venture agreement in accordance with the arbitration decision. As a result, impairment loss of approximately HK$996,373,000 was provided on goodwill from entertainment VAS for the year ended 30 June 2012.

(b) Lottery-related services

The key assumption used for cash flow projection for the provision of lottery-related services is as follows:

			Year		
	2014	**2015**	**2016**	**2017**	**2018**
Growth rate	20%	20%	20%	20%	20%
Discount rate	10%	10%	10%	10%	10%

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

(c) Wineries

As the amount of goodwill from wineries is immaterial, the directors of the Company considered that impairment test is not necessary.

18. RELATED PARTY TRANSACTIONS

(a) Transaction with connected or related parties

	Year ended 30-6-2013	Year ended 30-6-2012
	HK$'000	*HK$'000*
Interest expenses to a shareholder:		
Best Frontier Investments Limited	**864**	–

In the opinion of directors of the Company, the above transactions were undertaken in the normal course of business activities and on normal commercial terms.

(b) Balances with related parties

Balances amounted to approximately HK$5,520,000 (30-6-2012: approximately HK$584,000) and approximately HK$76,352,000 (30-6-2012: Nil) with related parties are amounts due to directors and loan from shareholder respectively.

(c) Compensation of directors and key management personnel

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

	Year ended 30-6-2013 ***HK$'000***	Year ended 30-6-2012 *HK$'000*
Short term benefits	**10,990**	12,388
Post-employment benefits	**126**	119
	11,116	12,507

19. LEGAL LITIGATION

(a) On 22 June 2011, a joint venture partner of the Entertainment VAS – copyright collection operation started arbitration proceeding in Beijing, the PRC against the Group's jointly controlled entity, China Culture Development Digital Technology Co., Limited ("CCDDT").

On 30 July 2012, the Company received arbitration decision:

(i) to terminate of a joint venture agreement dated 15 July 2007; and

(ii) to terminate the share transfer agreement signed on 30 August 2007 and the return of 20% interest in the joint venture business which was transferred from the joint venture partner to CCDDT.

The joint venture partner has applied for an order from Beijing Second Intermediate People's Court to implement the decision of arbitration in September 2012. The transfer of 20% equity interest in joint venture to the joint venture partner was completed in October 2012.

By a series of board and shareholders meetings that were convened in contravention to the articles of association of Excellent Union Communication Group Co., Limited "Excellent Union" and Company Law in the PRC, Excellent Union has changed its legal representative and nominated additional directors to its board in order for CCDDT to lose control over the board. CCDDT has engaged external legal counsels in Beijing to commence administrative procedures to rectify the BAIC records and is at the same time contemplating legal proceedings.

CCDDT has approximately RMB20,000,000 due from Excellent Union since arbitration. CCDDT has also engaged external legal counsels in Beijing for debt collection and is at the same time contemplating legal proceedings.

20. EVENTS AFTER REPORTING PERIOD

Pursuant to the loan agreement entered into between the Company and Tarascon Asia Absolute Fund (Cayman) Limited "Tarascon" in June 2012 and the supplementary document in June 2013, the Maturity Date for the Company to repay Tarascon of a total amount of approximately HK$24,622,000 was 31 July 2013. Tarascon had made demand for immediate repayment of the outstanding amount of the loan and accrued interest and appointed receivers for the security on 9 August 2013 pursuant to the terms of loan documents.

On 17 September 2013, Tarascon sent a one-sided letter to the Company that Tarascon and its receiver agree not to exercise any rights arising pursuant to the occurence and continuation of any existing event of default under the loan document from the date of the letter to 17 March 2014.

MANAGEMENT AND DISCUSSION ANALYSIS

FINANCIAL REVIEW

Result

The Group recorded revenue of HK$62 million for Year 2013, a decrease of 40% from 2012 of HK$105 million. Loss attributable to equity holders for Year 2013 was HK$42 million, a decrease of 96% from 2012 of HK$1,108 million, HK$1,060 million of which were due to extraordinary losses in 2012. The Group core operating cost amounted to HK$86 million in Year 2013, a decrease of 14% from Year 2012 of HK$100 million.

The Group's operating revenue decreased by 40% Year 2013 to HK$62 million, 62% of the Group's revenue was derived from the lottery-related services business which decreased by 28% to HK$39 million as compared to Year 2012. Entertainment VAS operations contributed to another 37% of the Group's operating revenue and decreased by 48% to HK$23 million in Year 2013.

Revenue	**2013** ***HK$'000***	2012 *HK$'000*	Change
Lottery-related services	**38,959**	53,985	(28%)
Entertainment VAS	**23,311**	44,453	(48%)
Others	**139**	6,400	(98%)
	62,409	104,838	(40%)

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

Gross Profit	**2013** Gross Profit *HK$'000*	Gross Profit Ratio	2012 Gross Profit *HK$'000*	Gross Profit Ratio	Change Gross Profit	Gross Profit Ratio
Lottery-related services	**37,379**	**96%**	49,663	92%	(25%)	4%
Entertainment VAS	**7,549**	**32%**	16,432	37%	(54%)	(14%)
Others	**(48)**	**(34%)**	810	13%	(106%)	(362%)
	44,880	**72%**	66,905	64%	(33%)	13%

The Group's gross profit decreased by 33% in 2013 to HK$45 million. However, the Group's gross profit ratio was 72%, increased by 13% in Year 2013 as compared with 64% Year 2012.

The Group's operating costs comprising selling and distribution costs and administrative expenses, decreased by 14% to HK$86 million.

The finance costs for Year 2013 and Year 2012 was stable around HK$10 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2013, shareholders' fund amounted to HK$59 million (2012: HK$67 million). Current assets amounted to HK$81 million (2012: HK$134 million), mainly comprising of trade and other receivables and prepayments, available-for-sale financial assets. Current liabilities amounted to HK$77 million (2012: HK$103 million) mainly comprising of its trade and other payables and bank and other borrowings. In particular, the Group has bank borrowings of about HK$30 million (2012: HK$12 million).

The Group financed its operations primarily with internally generated cash flows and banking facilities granted by banks. The net asset value per share of the Group was about HK$0.08 (2012: about HK$0.02). The gearing ratio of the Group was 130% (2012: 111%) on the basis of non-current liabilities divided by shareholders' funds.

CONVERTIBLE BONDS

As at 30 June 2013, the Group has no convertible bonds in issue (as at 30 June 2012: US$710,000).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Company and its subsidiaries provided corporate guarantees to the extent of approximately HK$30,221,000 (30-6-2012: HK$10,000,000) to a bank to secure general banking facilities and bank loan granted to subsidiaries.

The total facilities utilized by the Group at 30 June 2013 amounted to approximately HK$30,075,000 (30-6-2012: approximately HK$12,419,000).

(a) As at 30 June 2013, the Group has pledged its bank deposits of approximately HK$5,262,000 (30-6-2012: approximately HK$5,223,000) as securities for the general banking facilities granted to the Group.

(b) As at 30 June 2013, the Group has pledged all the issued and outstanding shares of China Success Enterprises Limited and its subsidiaries (except Ace Bingo Group Limited and its subsidiaries) to Tarascon for a loan and interest in aggregate of HK$20,000,000.

(c) As at 30 June 2013, the Group has pledged its plant and machinery with a net book values of approximately HK$17,427,000 and all the issued and outstanding shares of Shenzhen Bozone IT Co. Limited and its subsidiaries of approximately HK$17,643,000 as securities for a bank loan granted to the Group.

WARRANTS

As at 30 June 2013, the Group has no warrants in issue (as at 30 June 2012: Nil).

CAPITAL STRUCTURE

On 11 December 2012, the Company has issued 500,000,000 ordinary shares of the Company by capitalizing a loan in the amount of HK$35,500,000 at a subscription price of HK$0.071 per share.

On 31 January 2013, an ordinary resolution has been passed by shareholders to consolidate five issued and unissued ordinary shares each with a par value of HK$0.01 into one consolidated share with a par value of HK$0.05 each. As at 30 June 2013, the Company has in issue a total of 754,378,767 ordinary shares each with a par value of HK$0.05 (2012: 3,271,893,839 ordinary shares each with a par value of HK$0.01).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

As disclosed in the Company's 2012 annual report, the Group had disputes with the join venture partner in respect of the operations and future development of the business of a jointly controlled entity, Excellent Union Group. In this regard, The join venture partner commenced arbitration proceedings in 2011 against the Group to claim for the return of 20% equity interests in Excellent Union, which is the holding Company of Excellent Union Group and damages of RMB10 million. Refer to the final decision of the arbitration made on 30 July 2012, the Group shall return the 20% equity interests in Excellent Union and the transfer of 20% equity interests in Excellent Union to the join venture partner was completed on 29 October 2012. Upon completion of the transfer, the effective equity interests in Excellent Union held by the Group was decreased from 24.5% to 14.7% accordingly.

At a shareholder meeting of Excellent Union held on 8 October 2012, a resolution was passed to change the memorandum and articles of association of Excellent Union and additional members of board of directors were appointed on 11 January 2013. In this regard, the Group lost control over the Excellent Union, and consequently, Excellent Union became derecognized as a jointly controlled entity of the Group. In the opinion of the Directors, the Group has not exercise significant influence to Excellent Union by participating in financial and operating policies of Excellent Union, Excellent Union is accounted for as available-for-sale financial assets in the consolidated financial statements accordingly.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and jointly controlled entity during the year ended 30 June 2013.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2013, the Company and its subsidiaries employed 34 staff in Hong Kong (2012: 34), and 171 staff in the PRC (2012: 174). Staff costs excluding directors' remuneration amounted to about HK$30 million (2012: about HK$37 million). Employee remuneration is determined by reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

BUSINESS REVIEW

Lottery-related operations

Through Shenzhen Bozone IT Co., Ltd. ("**Bozone**"), the Group engaged in the supply of lottery-related software, equipment and services to the China Welfare Lottery authorities in Zhejiang, Heilongjiang and Shenzhen. While our other relevant subsidiaries also engaged in the provision of the lottery-related software, equipment, services, as well as the operation of a lottery distribution network in Tianjin, Jilin and Chongqing.

During the period, our traditional lottery-related operation remained to work closely and diligently with the China Welfare Lottery authorities in provision of the products and services in a high quality manner. In anticipation of industry development, we continue to develop new products such as touch-screen based high frequency lottery game "Happy 12" in Zhejiang for our clients to expand their consumer base. In addition, Zhejiang Welfare Lottery Issuing Centre has signed supplemental agreements with us in extending our provision of products and services and fee arrangement during the contract transitional period.

Lottery industry in China is a demand for new distribution channels and new games to enhance playability and attractiveness of the lottery games, in order to broaden its client base and enhancing the penetration of the lottery games into different classes of the society. Based on our successful lottery distribution experience from Tianjin, we expanded our lottery distribution network in Tianjin and Jilin via different channels and different locations during this period. We launched an outlet in Tianjin airport in November 2012 and franchised with a supermarket chain as part of our lottery distribution network. Further, to broaden the base of the participants in the lottery games, we have targeted the customers who visited the karaoke venues and with higher purchasing power as our potential clients via an exclusive distribution rights on scratch-and-win cards to the karaoke venues in Chongqing. This not only allow us to penetrate our lottery product into a market with high purchasing power, but also prove our distribution capability, not only to traditional lottery games or high-frequency lottery games but also to one of the most popular lottery games, scratch-and-win.

Our strong research and development team allowed us to grab the opportunities in expanding our business coverage to one more geographical area, Jilin, in Year 2013. We have signed with Jilin Welfare Lottery Issuing Centre in provision of our tailor made products and services. We have been providing our touch-screen based high frequency lottery game solution for the Jilin Welfare Lottery Issuing Centre for their lottery game "Happy 3".

Besides that we have secured a business contract in Chongqing, our capability in research and development brought us another business contract in relation to the touch-screen based high frequency lottery game product for karaoke venues in Chongqing. In addition, we successfully launched a tablet-based point-of-sales terminal for a high-frequency lottery game in Chongqing.

Our technical capability continue to be recognized by the World Lottery Association, an international lottery industry association, in certifying to World Lottery Association Security Control Standards and also by Ministry of Science and Technology of PRC in remunerating our proprietary Lottery Operation Support System with government subsidies. We are working on apply for more government subsidies for our upcoming products.

Land and Property Development Operations

Our Group's land and property development operations has been carried out by our wholly owned subsidiary, Jovial Sky Limited. Jovial Sky Limited has formed a non-wholly owned subsidiary GDCVG with the management committee of the Zone in Guizhou. GDCVG is responsible to carry out development of up to 30km^2 of industrial and commercial land in the Zone regarding the class 1 land development work such as land requisition, land leveling, landscaping and building up the infrastructure in order to transform raw land into cultivated land up to the standard for land auction in return for a profit sharing on any land's sale that is backed by a profit guarantee given by the Committee. In addition, the cooperation agreement we have signed with the Committee, the cost of class 1 land development work will be refunded to us on "built-and-transfer" basis. Further, we also carry out the promotion work for the sales of land in the Zone.

During the reporting period, we have completed our basic operational establishment and commenced to prepare class 1 development works on blocks of land for commercial use and industrial use.

Regarding the commercial land development, we have confirmed that our first 200 MOU commercial lands to be developed, will be located in an area which immediately surrounds the only high-speed railway station that is to service the whole Tongren district, Yi Xin High-speed Railway Station. Yi Xin High-speed Railway Station is located in the Zone and which is to service an area with circa 4,270,000 populations over an area of approximately 18,003km^2. This station is expected to be in use by mid-2014 and expected to become one of the most important transportation hub in Tongren district. We have commenced part of the class 1 land development work on these commercial lands during the reporting period and undergo the prerequisite procedures to transform these commercial lands into eligible for land auction. We are expecting to initiate the first batch of land auction during the second half of 2013.

As for the industrial land development, we are glad to present that we have completed 2 prefabricated factories as our first phase of Hong Kong-Taiwan Industrial Park ("HKT industrial park"), which is focused in light industry from Guangdong coastal area, such as footwear, automotive parts production, and environmental friendly equipment. These prefabricated factories have been fully occupied by the Guangdong coastal and domestic occupants who participated in the abovementioned industries and the ownership of these prefabricated factories will be transferred back to the Committee in return to recover the cost of the construction and the guaranteed profit.

We are planning to replicate this successful story in our phase two HKT industrial park which is expected to have a land area of 3,000 MOU and targeting for PCB and related industry in Guangdong coastal area.

Further, in order to promote the HKT industrial park, as well as the Zone, we actively cooperate with the Committee in the investment promotion work to bring in companies which are considering to establish their manufacturing plants in the Zone. We recently have cooperated with the Shenzhen Printed-Circuit Board Association in promoting our HKT industrial park phase 2, the successful promotion event has been carried out in Shenzhen and the responses have been very positive.

Entertainment Equipment and Services Operations

Our entertainment equipment unit focuses predominantly on supply of song selection/video-on-demand equipment to karaoke venues and our entertainment services unit on royalty collection on behalf of copyright owners from karaoke venues. During this reporting period, the performance of the operation has significant decrease from Year 2012 due to the litigation regarding the shareholding of our royalty collection arm in which affected our accounting treatment to this operation from jointly controlled entity to become an available for sales asset after the event of 2013 reporting period. However, the Board and the Company still consider the holding company of this royalty collection arm, China Culture Digital Development Technology Limited, remain as a jointly controlled entity. Details please refer to the announcement dated 16 August 2013.

FUTURE OUTLOOK AND PROSPECTS

Our strong research and development capability and pioneer distribution strategy assisted us to capture opportunities to strengthen our market position, such as expanding our business coverage to Jilin, securing new business contract in Tianjin and Chongqing, in Year 2013. We believe the market needs on widening lottery customers' base via exploring of new distribution channels or new games in China, is still strong in future. With our well-equipped team and visionary development direction, our lottery-related operations is expected to remain as one of the key revenue growth drivers for the Group.

As for our property division, the commercial and industrial land development in the Zone has gone through the establishment stage and advancing to the growth stage. We expect the phase two HKT industrial park which target the PCB industry will be a further successful to our phase one HKT industrial park and bringing us to achieve the next milestone in our industrial land development. Meanwhile, we expect the first batch of commercial lands in the Zone to be ready for auction by the end of 2013. Our property division is believed to fuel our future growth, as well as becoming a material revenue contributor, for our Group.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2013.

COMPETING INTERESTS

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

CORPORATE GOVERNANCE PRACTICE

During the year ended 30 June 2013, the Company has complied with the code provisions in the code ("**CG Code**") on corporate governance practices in Appendix 15 of the Listing Rules, except for one major deviation as follow:

Under code provision A.4.1 of the Code, Non-Executive Directors should be appointed for a specific term, subject to re-election. The Independent Non-Executive Directors ("**INEDs**") of the Company were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three years in accordance with the Articles of Association. The reason for the deviation is that the Company does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of INEDs have given the Company's shareholders the right to approve continuation of INEDs' offices.

Securities transactions of Directors

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the Listing Rules as the code for dealing in securities of the Directors ("**Code of Conduct**"). Having made specific enquiry of all Directors, the Company received confirmation from all Directors that they had complied with the Code of Conduct throughout the year ended 30 June 2013.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2013.

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of three INEDs, namely Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond who is the chairman of the audit committee.

The Group's audited results for the year ended 30 June 2013 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made. The audit committee reviewed the Group's audited results for the year ended 30 June 2013 with management and the Company's external auditors and recommended its adoption by the Board.

By Order of the Board
China Vanguard Group Limited
眾彩科技股份有限公司*
CHAN Ting
Director

Hong Kong, 24 September 2013

As at the date of this announcement, the board of directors of the Company comprises Madam Cheung Kwai Lan, Mr. Chan Ting as Executive Directors, Mr. Chan Tung Mei as Non-executive Director and Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond as Independent Non-executive Directors.

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

* *For identification purposes only*