



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



Third Quarterly Report 2008/2009

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

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

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

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This report, for which the board of directors of China Vanguard Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors (the "Board") of China Vanguard Group Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months and nine months ended 31 March 2009, together with the comparative unaudited figures for the corresponding period in 2008, are as follows:

| | Notes | (Unaudited) Three months ended 31 March | | (Unaudited) Nine months ended 31 March | |
|---|-------|---|------------------|--|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 | 2009 HK\$'000 | 2008 HK\$'000 |
| Revenue | 2 | 44,440 | 39,757 | 139,003 | 114,893 |
| Cost of sales | | (26,103) | (28,969) | (88,173) | (79,598) |
| Gross profit | | 18,337 | 10,788 | 50,830 | 35,295 |
| Other revenue | | 561 | 646 | 4,677 | 2,474 |
| Selling and distribution costs | | (5,797) | (3,412) | (18,233) | (11,170) |
| Administrative expenses | | (21,072) | (8,501) | (58,303) | (38,308) |
| Gain on disposal of a subsidiary held by a jointly controlled entity | | - | - | 1,163 | - |
| Loss on disposal of an associate | | - | - | (7) | - |
| Loss on deemed disposal of a subsidiary held by a jointly controlled entity | | - | - | - | (7) |
| Share of results of an associate | | - | (59) | 124 | (42) |
| Loss from operations | | (7,971) | (538) | (19,749) | (11,758) |
| Finance costs | | (15,155) | (10,202) | (47,968) | (27,915) |
| Loss before income tax | | (23,126) | (10,740) | (67,717) | (39,673) |
| Income tax expenses | 3 | (566) | (959) | (1,895) | (1,957) |
| Loss for the period | | (23,692) | (11,699) | (69,612) | (41,630) |
| Attributable to: | | | | | |
| Equity holders of the Company | | (25,430) | (12,662) | (73,233) | (43,895) |
| Minority interests | | 1,738 | 963 | 3,621 | 2,265 |
| | | (23,692) | (11,699) | (69,612) | (41,630) |
| Loss per share | 5 | | | | |
| Basic | | (0.79) HK cent | (1.33) HK cents | (2.27) HK cents | (4.66) HK cents |

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited.

The unaudited consolidated results have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the preparation of these unaudited consolidated results are consistent with those applied in the annual financial statements for the year ended 30 June 2008.

2. Revenue

The principal activities of the Group are (i) distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) distribution of edible oil, (iv) holding profit sharing right of oil field, (v) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connection, and (vi) provision of the nationwide karaoke content management service system ("Karaoke CMS").

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable.

3. Income tax expenses

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and nine months ended 31 March 2009 (three months and nine months ended 31 March 2008: Nil).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4. Dividend

The Board does not recommend the payment of any dividend for the three months and nine months ended 31 March 2009 (three months and nine months ended 31 March 2008: Nil).

5. Loss per share

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

Loss

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|----------|--------------------------|----------|
| | Three months ended | | Nine months ended | |
| | 31 March | | 31 March | |
| | 2009 | 2008 | 2009 | 2008 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |

| | | | | |
|---|-----------------|----------|-----------------|----------|
| Loss for the purposes of basic loss per share | (25,430) | (12,662) | (73,233) | (43,895) |
|---|-----------------|----------|-----------------|----------|

Number of shares

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|------|--------------------------|------|
| | Three months ended | | Nine months ended | |
| | 31 March | | 31 March | |
| | 2009 | 2008 | 2009 | 2008 |
| | '000 | '000 | '000 | '000 |

| | | | | |
|---|------------------|---------|------------------|---------|
| Weighted average number of ordinary shares for the purposes of basic loss per share | 3,213,135 | 951,302 | 3,223,467 | 942,132 |
|---|------------------|---------|------------------|---------|

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

6. Movement of reserves

| | (Unaudited) Share premium HK\$'000 | (Unaudited) Equity component of convertible bonds HK\$'000 | (Unaudited) Capital redemption reserve HK\$'000 | (Unaudited) Employee share-based compensation reserve HK\$'000 | (Unaudited) Share option reserve HK\$'000 | (Unaudited) Translation reserve HK\$'000 | (Unaudited) Special Reserve HK\$'000 | (Unaudited) Retained Profits/ (Accumulated loss) HK\$'000 | (Unaudited) Total HK\$'000 |
|---|---|---|---|---|---|---|---|--|----------------------------------|
| At 1 July 2008 | 2,166,728 | 10,712 | - | 35,572 | 11,282 | 35,095 | (1) | (44,116) | 2,215,272 |
| Exchange differences arising from translation of financial statements of overseas operations | - | - | - | - | - | (955) | - | - | (955) |
| Repurchase of shares | (11,176) | - | 234 | - | - | - | - | (234) | (11,176) |
| Exercise of warrants | 22 | - | - | - | - | - | - | - | 22 |
| Net loss for the period | - | - | - | - | - | - | - | (73,233) | (73,233) |
| At 31 March 2009 | 2,155,574 | 10,712 | 234 | 35,572 | 11,282 | 34,140 | (1) | (117,583) | 2,129,930 |
| At 1 July 2007 | 286,884 | 10,712 | - | 35,572 | 122,746 | 8,136 | (1) | (47,713) | 416,336 |
| Exchange differences arising from translation of financial statements of overseas operations | - | - | - | - | - | 19,792 | - | - | 19,792 |
| Shares issued on exercise of options | 7,691 | - | - | - | - | - | - | - | 7,691 |
| Recognition of equity-settled share based payments | - | - | - | - | 8,537 | - | - | - | 8,537 |
| Transfer from share option reserve to accumulated loss due to lapse of share option | - | - | - | - | (34,208) | - | - | 34,208 | - |
| Net loss for the period | - | - | - | - | - | - | - | (43,895) | (43,895) |
| At 31 March 2008 | 294,575 | 10,712 | - | 35,572 | 97,075 | 27,928 | (1) | (57,400) | 408,461 |

7. Events after the balance sheet date

On 24 April 2009, Aptus Holdings Limited ("Aptus"), an indirect non wholly-owned subsidiary of the Company, entered into agreements relating to the disposals of the equity interests in the Changde Huayou Gas Co., Ltd. and Hunan Huayou Natural Gas Transportation and Distribution Limited for the consideration of approximately RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively and CNPC Huayou Cu Energy Investment Co. Ltd., a subsidiary of Aptus, entered into agreements terminating the profit sharing arrangement with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK\$45,225,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Background

The Group is engaged in (1) the nationwide karaoke content management service system (“Karaoke CMS”) (卡拉OK內容管理服務系統), technology platform for intellectual property (“IP”) protection and value-added services (“VAS”) for the karaoke industry (in the entertainment sector) in the PRC via Grand Promise International Limited (“Grand Promise”); (2) lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. (“Bozone”); and (3) oil and gas-related businesses and edible oil trading via an indirect non wholly-owned subsidiary listed on GEM, Aptus Holdings Limited (“Aptus”).

A major initiative undertaken in last fiscal year

China Culture Development Digital Technology Co., Ltd. (“CCDDT”) (北京中文發數字科技有限公司), an effective 49% owned joint venture of the Group, had been granted the nationwide exclusive right by the Ministry of Culture Market Development Center (文化部文化市場發展中心) to establish and operate the Karaoke CMS during its joint venture period (i.e. 30 years), the Karaoke CMS is now providing technology and services for copyright transactions between China Audio-Video Copyright Association (“CAVCA”) (中國音像著作權集體管理協會) (a body that represents the majority of the local and international record companies operating in China) and other karaoke programme copyright owners and operators of karaoke venues, to help protect, manage and utilise intellectual property.

Excellent Union Communication Group Co. Ltd. (“Excellent Union”) (天合文化集團有限公司), a jointly controlled entity of CCDDT, is entrusted by CAVCA to carry out copyright transactions of karaoke programmes between intellectual property owners (“IP Owners”) and karaoke venues via the Karaoke CMS, and also authorised by CCDDT to provide technical support and operational services for VAS at karaoke venues.

Since July 2008, Excellent Union has begun formal collection of copyright fees from karaoke venues and is now collecting in 19 provinces in the PRC on behalf of CAVCA and IP Owners, while CCDDT is in the process of expanding the Karaoke CMS coverage in all provinces and direct jurisdiction cities in the PRC.

CCDDT and Excellent Union (together “CCDDT Group”) are accounted for as jointly controlled entities and proportionately consolidated into the Group's financial statements.

Financial review

For the nine months ended 31 March 2009 ("Period 2009"), the Group's unaudited consolidated revenue was approximately HK\$139,003,000, which represented an increase of approximately 21.0% as compared to approximately HK\$114,893,000 for the nine months ended 31 March 2008 ("Period 2008"). A portion of the increase was contributed by the CCDDT Group. Excellent Union has begun formal collection of copyright fees on behalf of the IP Owners from karaoke venues in 19 provinces in the PRC. CCDDT Group contributed approximately HK\$16,232,000 of service fee income for the Group.

As for the natural gas-related businesses, Changde Huayou Gas Co., Ltd ("Changde Joint Venture") and Hunan Huayou Natural Gas Transportation and Distribution Limited ("Hunan Joint Venture") (together "Natural Gas Joint Ventures") also recorded growth in revenues as compared to the previous corresponding period. The Natural Gas Joint Ventures contributed approximately HK\$72,900,000 in revenue as compared to approximately HK\$48,000,000 for Period 2008, an increase of about 51.9%. As for the edible oil trading business, the Group recorded a decrease of about 53.0% in revenue to approximately HK\$18,300,000 for Period 2009 as compared to approximately HK\$38,900,000 for Period 2008, a result of the poor economic backdrop. The revenue from the lottery-related businesses increased by about 20.3% from approximately HK\$25,631,000 for Period 2008 to approximately HK\$30,838,000 for Period 2009.

The gross profit for Period 2009 increased by about 44.0% to approximately HK\$50,830,000 (Period 2008: approximately HK\$35,295,000). The contributions of gross profit from the principal operating units are as follow: (i) Karaoke CMS contributed approximately HK\$4,665,000; (ii) the lottery-related businesses contributed approximately HK\$28,085,000 and (iii) the oil and gas-related businesses and edible oil trading contributed approximately HK\$18,080,000. Overall, the gross profit ratio increased to approximately 36.6% for Period 2009 as compared to approximately 30.7% recorded for Period 2008.

For the nine months ended 31 March 2009, loss recorded was approximately HK\$69,612,000 (Period 2008: approximately loss of HK\$41,630,000 was recorded), an increase of about 67.2% as compared to previous corresponding period. The bulk of the increase was mainly attributable to the net effect of: (i) nil share option expense charged against the Group in Period 2009 from approximately HK\$8,537,000 in Period 2008; (ii) an increase in salary expenses from approximately HK\$17,720,000 in Period 2008 to approximately HK\$26,932,000 Period 2009 due to increase in pay scale and increase in staff; (iii) increase in traveling expenses from approximately HK\$2,067,000 in Period 2008 to approximately HK\$4,650,000 in Period 2009 due to more business traveling to and within the PRC; (iv) increase in professional fees from approximately HK\$1,856,000 in Period 2008 to HK\$4,445,000 in Period 2009 mainly due to the amendments made on the Aptus convertible bonds; (v) increase in financing expenses from approximately HK\$27,915,000 in Period 2008 to approximately HK\$47,968,000 in Period 2009 mainly due to the assumption of the Grand Promise convertible bonds; and (vi) general increase in operating expenses.

Business review

During the period under review, the Group continued to develop its: (1) technology platform for IP protection and VAS in the entertainment sector; (2) lottery-related businesses in the PRC; and (3) oil and gas-related businesses and edible oil trading, with the aim to improve the overall financial position of the Group.

Excellent Union is now collecting copyright fees in 19 provinces in the PRC on behalf of CAVCA and IP Owners while CCDT is expanding the Karaoke CMS coverage in all provinces and direct jurisdiction cities in the PRC.

Bozone and its subsidiaries (“Bozone Group”), our subsidiaries in the PRC traditional welfare lottery-related businesses, have emerged to become one of the most competitive professional providers of technology, products and operation services in the welfare lottery sector in the PRC and has assisted its customers to achieve remarkable results.

For Aptus, operationally, the results continue to predominately reflect the trading of edible oil and the distribution of natural gas. The Changde Joint Venture has completed about 777.2 km of city-level pipelines connecting approximately 315 commercial and public welfare establishment users, 8 industrial users, and approximately 60,000 residential users to its network as of the date of this report with sales of about 46.8 million cubic meters of natural gas for Period 2009, an increase of 40.1% as compared to sales of about 33.4 million cubic meters for Period 2008. The Hunan Joint Venture has completed the construction of its main pipelines (about 188 km in total) branching out to reach 7 city-level gas distribution stations in the province of Hunan. The Hunan Joint Venture transported about 54.7 million cubic meters of natural gas to the 7 city-level gas distribution stations in Period 2009, an increase of approximately 75.9% as compared to 31.1 million cubic meters in Period 2008.

With regards to Aptus' convertible bonds, during the period review Aptus announced that the last of the conditions precedent set out in the second amendment deed was satisfied on 17 February 2009. Aptus has delivered the fulfillment notice dated 17 February 2009 to other parties to the second amendment deed. The amendments to the trust deed and the bonds as set out in the second amendment deed have come into effect on 17 February 2009 accordingly. For further details, please refer to the circular dated 21 January 2009 issued by the Company.

Future outlook and prospects

The Group is now at a favourable position in cultural and intellectual property related industries, and benefiting from the new burgeoning cultural industry in China. Currently, the Group is transferring its business focus to culture and copyright related industries. Excellent Union is targeting to commence collection of copyright fees on behalf of IP Owners in all provinces and direct jurisdiction cities in the PRC by the end of year 2009. Meanwhile, CCDDT and Excellent Union will continually work to develop and rollout other VAS for the Karaoke CMS.

The Company believes more concentrating in the cultural and intellectual property related business can allow the Group to enjoy the revenue generated in the fast-growing industry and broaden the Group's revenue base.

It is also our objective to become a major vertically integrated player in the PRC lottery-related sector, and with our branch office in Beijing we are a step closer to our aim of becoming a one-stop solution provider to welfare lottery centers across the PRC. Bozone is currently ranked as the third largest lottery solution provider to the welfare lottery industry in the PRC. We will continue building on our existing products and further develop in the area of POS machines. We will also continue to search for opportunities to expand geographically within the PRC and internationally.

As for Aptus, management will focus its efforts in scaling up the operation of the edible oil trading segment while at the same time continue to expand its operations by exploring new business opportunities.

On 24 April 2009, Aptus entered into agreements relating to the disposals of the equity interests in the Changde Joint Venture and Hunan Joint Venture for the consideration of approximately RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively and CNPC Huayou Cu Energy Investment Co. Ltd. entered into agreements terminating the profit sharing arrangement with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK\$45,225,000). For further details, please refer to the announcement to be released by the Company.

Management will continue utilising the existing resources of the Group and the synergies created between the various operating units to explore in other opportunities with the view and desire to bringing in positive results for the shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange, were as follows:

(1) Long positions in the ordinary shares of the Company or any of its associated corporations

| | Company/ Name of associated corporation | Number of ordinary shares held | | | Approximate percentage of shareholding | |
|-----------------|--|--|-----------------------|--------------------------------|--|-------------------|
| | | Interest in controlled corporation | Beneficial owner | Family interest | | Total interest |
| Cheung Kwai Lan | Company | 2,095,857,322 (Note 1) | 2,070,000 (Note 2) | - | 2,097,927,322 | 65.32% |
| Chan Tung Mei | Company | - | - | 2,097,927,322 (Notes 1 & 2) | 2,097,927,322 | 65.32% |
| Lau Hin Kun | Company | - | 1,410,000 | - | 1,410,000 | 0.04% |

| | Company/ Name of associated corporation | Number of ordinary shares held | | | Total interest | Approximate percentage of shareholding |
|-----------------|--|--|---------------------|-------------------------|-------------------|--|
| | | Interest in controlled corporation | Beneficial owner | Family interest | | |
| Cheung Kwai Lan | Best Frontier Investments Limited | - | 909 | 1 (Note 3) | 910 | - |
| Chan Tung Mei | Best Frontier Investments Limited | - | 1 | 909 (Note 3) | 910 | - |
| Cheung Kwai Lan | Aptus Holdings Limited | 971,746,428 (Note 4) | - | - | 971,746,428 | 55.12% |
| Chan Tung Mei | Aptus Holdings Limited | - | - | 971,746,428 (Note 4) | 971,746,428 | 55.12% |

Notes:

- The 2,095,857,322 shares are owned by Best Frontier Investments Limited ("Best Frontier") which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares held by Best Frontier and Mr. Chan Tung Mei is deemed to be interested in all 2,097,927,322 shares by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO.
- The 2,070,000 shares are owned by Madam Cheung Kwai Lan who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.
- The 1 share and 909 shares of US\$1 each in Best Frontier is owned respectively by Mr. Chan Tung Mei and Madam Cheung Kwai Lan who are spouse to each other. Accordingly, Madam Cheung Kwai Lan and Mr. Chan Tung Mei are deemed to be interested in the shares held by each other under the SFO.
- Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11% respectively of the issued share capital of Best Frontier. Madam Cheung Kwai Lan and Mr. Chan Tung Mei are spouse to each other. Accordingly, Madam Cheung Kwai Lan is deemed to be 100% interested in the shares of Best Frontier, and Mr. Chan Tung Mei is also deemed to be interested in the shares of Best Frontier by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO. As at 31 March 2009, Best Frontier is interested in approximately 65.25% of the issued share capital of the Company which in turn holds directly 100% shareholding of China Success Enterprises Limited and holds indirectly 100% shareholding of Precise Result Profits Limited, the company directly holding 971,746,428 Aptus shares of which, 48,750,000 Aptus shares has been lent to Evolution Master Fund Ltd. SPC, Segregated Portfolio M pursuant to a stock lending agreement dated 22 November 2006.

(2) Share options of the Company

The Company has adopted a share options scheme on 18 October 2002 (the "Share Option Scheme"), under which the Board may, at its discretion, invite any persons who satisfies the criteria of the Share Option Scheme, to take up options to subscribe for the shares in the Company:

The Share Option Scheme will remain valid for a period 10 years commencing from 18 October 2002.

| Name of Directors | Date of grant | Exercise Price HK\$ | Outstanding | Granted | Exercised | Lapsed | Outstanding | Exercise period of share options |
|-------------------|---------------|------------------------|-------------------|----------------------|----------------------|----------------------|------------------------|-------------------------------------|
| | | | at 1 July 2008 | during the period | during the period | during the period | at 31 March 2009 | |
| Cheung Kwai Lan | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 3,120,000 | - | - | - | 3,120,000 | 23/11/2007 – 17/10/2012 |
| Chan Tung Mei | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 3,120,000 | - | - | - | 3,120,000 | 23/11/2007 – 17/10/2012 |
| Chan Ting | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 1,560,000 | - | - | - | 1,560,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 3,120,000 | - | - | - | 3,120,000 | 23/11/2007 – 17/10/2012 |
| Lau Hin Kun | 23/11/06 | 0.62 | 350,000 | - | - | - | 350,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 350,000 | - | - | - | 350,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 700,000 | - | - | - | 700,000 | 23/11/2007 – 17/10/2012 |

| Name of Directors | Date of grant | Exercise Price HK\$ | Outstanding | Granted | Exercised | Lapsed | Outstanding | Exercise period of share options |
|--------------------|---------------|------------------------|-------------------|----------------------|----------------------|----------------------|------------------------|-------------------------------------|
| | | | at 1 July 2008 | during the period | during the period | during the period | at 31 March 2009 | |
| Tian He Nian | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 530,000 | - | - | - | 530,000 | 23/11/2007 – 17/10/2012 |
| Zhao Zhi Ming | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 530,000 | - | - | - | 530,000 | 23/11/2007 – 17/10/2012 |
| To Yan Ming Edmond | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/11/2006 – 17/10/2012 |
| | 23/11/06 | 0.62 | 260,000 | - | - | - | 260,000 | 23/5/2007 – 17/10/2012 |
| | 23/11/06 | 0.62 | 530,000 | - | - | - | 530,000 | 23/11/2007 – 17/10/2012 |
| Total | | | 23,270,000 | - | - | - | 23,270,000 | |

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months and nine months ended 31 March 2009.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2009, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed taken to have, an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or, indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Group:

(1) Long positions in the Shares

| Name of Shareholder | Capacity | Number of shares held | | Approximate percentage of shareholding |
|---------------------|------------------|---------------------------|----------------|--|
| | | Long position | Short position | |
| Best Frontier | Beneficial owner | 2,095,857,322 (Note 1) | – | 65.25% |

Note:

- The 2,095,857,322 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other.

(2) Long positions in underlying Shares

| Name of Shareholder | Capacity | Number of shares held | | Approximate percentage of shareholding |
|-------------------------------|------------------------------------|-------------------------|----------------|--|
| | | Long position | Short position | |
| The Goldman Sachs Group, Inc. | Interest in controlled corporation | 343,211,215 (Note 1) | – | 10.69% |

Note:

1. A maximum of 343,211,215 new shares will be allotted and issued to Liberty Harbor Master Fund I, L.P. ("Liberty Harbor") upon its exercise of the exchange option under the convertible bonds (which was assumed by the Company when acquired Grand Promise International Limited). Liberty Harbor is advised by GS Investment Strategies, LLC, a Delaware limited liability company, whose sole member is The Goldman Sachs Group, Inc., a Delaware corporation.

Save as disclosed above, as at 31 March 2009, the Directors or chief executives of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

COMPETING INTERESTS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code throughout the nine months ended 31 March 2009.

PRE-EMPTIVE RIGHTS

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

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 four Independent non-executive directors, namely Mr. Tian He Nian, Mr. Zhang Xiu Fu, Mr. Zhao Zhi Ming and Mr. To Yan Ming Edmond. Mr. To Yan Ming Edmond is the chairman of the audit committee. The Group's unaudited results for the three months and nine months ended 31 March 2009 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.

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

The Company has repurchased a total of 23,405,000 ordinary shares of the Company on the Exchange in September, October, December 2008 and February 2009 for an aggregate amount of approximately HK\$11,410,000 excluding of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchases were as follow:

| Date of Repurchase | Number of Shares repurchased | Price per share repurchased | |
|--------------------|------------------------------|-----------------------------|---------------|
| | | Highest (HK\$) | Lowest (HK\$) |
| 26 September 2008 | 1,475,000 | 0.5400 | 0.5300 |
| 29 September 2008 | 1,500,000 | 0.5400 | 0.5400 |
| 30 September 2008 | 1,500,000 | 0.5700 | 0.5500 |
| 2 October 2008 | 1,060,000 | 0.5900 | 0.5800 |
| 3 October 2008 | 30,000 | 0.6100 | 0.6100 |
| 6 October 2008 | 1,500,000 | 0.6300 | 0.6200 |
| 8 October 2008 | 1,500,000 | 0.6000 | 0.5800 |
| 9 October 2008 | 725,000 | 0.6000 | 0.6000 |
| 10 October 2008 | 2,500,000 | 0.5900 | 0.5200 |
| 1 December 2008 | 1,740,000 | 0.4200 | 0.3800 |
| 2 December 2008 | 655,000 | 0.4100 | 0.3850 |
| 3 December 2008 | 770,000 | 0.4200 | 0.4050 |
| 4 December 2008 | 470,000 | 0.4250 | 0.4200 |
| 5 December 2008 | 300,000 | 0.4200 | 0.4100 |
| 8 December 2008 | 300,000 | 0.4250 | 0.4150 |
| 9 December 2008 | 280,000 | 0.4400 | 0.4400 |
| 10 December 2008 | 305,000 | 0.4450 | 0.4300 |
| 11 December 2008 | 355,000 | 0.4500 | 0.4200 |
| 12 December 2008 | 520,000 | 0.4550 | 0.4350 |
| 18 December 2008 | 1,200,000 | 0.4850 | 0.4550 |
| 19 December 2008 | 650,000 | 0.4850 | 0.4500 |
| 22 December 2008 | 550,000 | 0.4900 | 0.4550 |
| 23 December 2008 | 630,000 | 0.4800 | 0.4600 |
| 24 December 2008 | 550,000 | 0.4900 | 0.4650 |
| 17 February 2009 | 1,420,000 | 0.2650 | 0.2500 |
| 18 February 2009 | 230,000 | 0.2700 | 0.2550 |
| 19 February 2009 | 590,000 | 0.2800 | 0.2550 |
| 20 February 2009 | 100,000 | 0.2650 | 0.2600 |
| Total: | 23,405,000 | | |

All the repurchased Shares have been cancelled.

Save as disclosed herein, neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months and nine months ended 31 March 2009.

By order of the Board,
CHAN Ting
Director

Hong Kong, 12 May 2009

As at the date of this report, the executive directors are Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Mr. Chan Ting, Ms. Chan Siu Sarah and Mr. Lau Hin Kun; and the independent non-executive directors are Mr. Tian He Nian, Mr. Zhang Xiu Fu, Mr. Zhao Zhi Ming and Mr. To Yan Ming Edmond.