

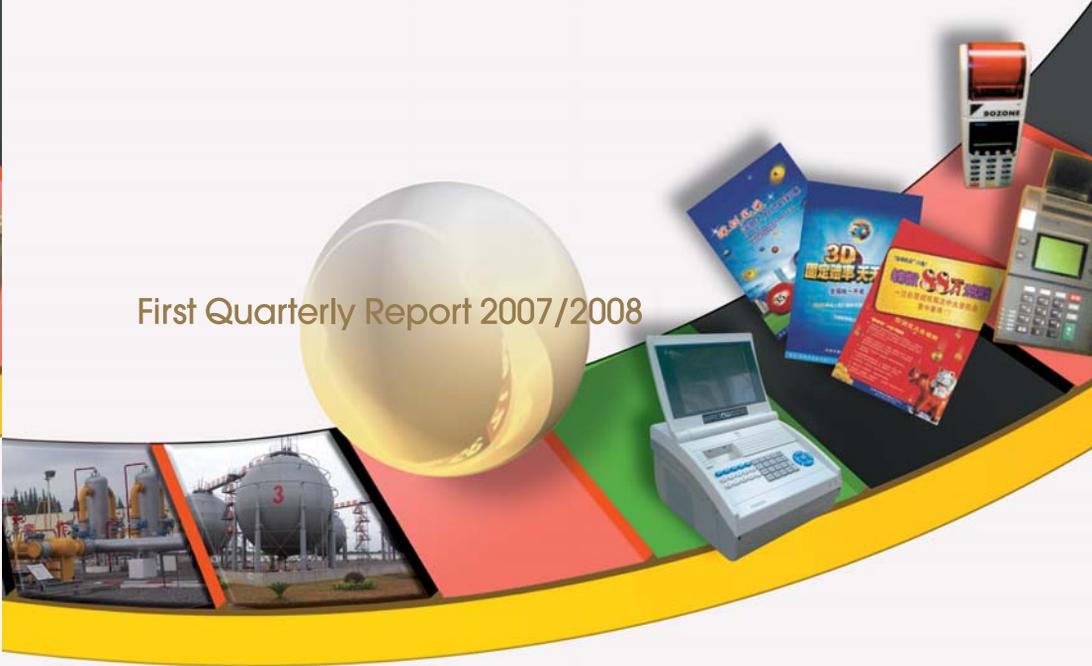


眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.

(incorporated in the Cayman Islands with limited liability)

Stock code : 8156

First Quarterly Report 2007/2008



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

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This report, for which the 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Vanguard Group Limited. 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.

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 ended 30 September 2007, together with the comparative unaudited figures for the corresponding period in 2006, are as follows:

		(Unaudited)	
		Three months ended	
		30 September	
		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	<i>2</i>	41,083	21,985
Cost of sales		(28,536)	(19,528)
Gross profit		12,547	2,457
Other revenue		451	618
Selling and distribution costs		(3,171)	(1,071)
Administrative expenses		(19,565)	(38,724)
Loss from continuing operations		(9,738)	(36,720)
Finance costs		(7,849)	(602)
Loss before income tax		(17,587)	(37,322)
Income tax expenses	<i>3</i>	(816)	–
Loss for the period from continuing operations		(18,403)	(37,322)
Discontinued operations			
Profit for the period from discontinued operations		–	29,342
Loss for the period		(18,403)	(7,980)
Attributable to:			
Equity holders of the Company		(19,449)	3,523
Minority interests		1,046	(11,503)
		(18,403)	(7,980)
(Loss)/earnings per share	<i>5</i>		
From continuing and discontinued operations:			
Basic (cents)		(2.08)	0.56
Diluted (cents)		N/A	0.54
From continuing operations:			
Basic (cents)		(2.08)	(4.14)

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.

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 2007.

2. REVENUE

The principal activities of the Group are (i) the distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) the sales and distribution of edible oil, (iv) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connection.

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 during the period (2006: Nil).

Taxation arising in 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 ended 30 September 2007 (2006: Nil).

5. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

(Loss)/earnings

	(Unaudited) Three months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/earnings for the purposes of basic (loss)/earnings per share	(19,449)	3,523

Number of shares

	(Unaudited) Three months ended 30 September	
	2007	2006
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	936,601	624,053
Effect of dilutive potential ordinary shares:		
Share options	13,149	26,208
Weighted average number of ordinary shares for the purposes of diluted earnings per share	949,750	650,261

No diluted loss per share has been presented in current period, as the outstanding share options of the Company are anti-dilutive since their exercise would result in a decrease in loss per share.

From continuing operations

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

Loss figures are calculated as follows:

	(Unaudited)	
	Three months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to equity holders of the Company	(19,449)	3,523
Less:		
Profit for the period from discontinued operations	–	29,342
Loss for the purposes of basic loss per share from continuing operations	(19,449)	(25,819)

The denominators used are the same as those detailed above for basic (loss)/earnings per shares.

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

From discontinued operations

Basic earnings per share for the discontinued operations is HKnil cent per share (2006: HK4.70 cents per share) and diluted earnings per share for the discontinued operations is HKnil cent per share (2006: HK4.51 cents per share), based on the profit for the period from the discontinued operations of HK\$nil (2006: HK\$29,342,000) and the denominators detailed above for both basic and diluted (loss)/earnings per share.

6. MOVEMENT OF RESERVES

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share	Convertible	Employee	Share	Translation	Special	Accumulated	Total
	premium	bonds	Share-based	options	reserve	reserve	losses	
	HK\$'000	HK\$'000	compensation	reserve	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		reserve	reserve	reserve	reserve	reserve	losses	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	2,243	-	-	2,243
Recognition of equity-settled share based payments	-	-	-	8,322	-	-	-	8,322
Share issued on exercise of options	488	-	-	-	-	-	-	488
Net loss for the period	-	-	-	-	-	-	(19,449)	(19,449)
At 30 September 2007	287,372	10,712	35,572	131,068	10,379	(1)	(67,162)	407,940

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share	Employee	Share	Translation	Special	Retained		Total
	premium	Share-based	options	reserve	reserve	profit		
	HK\$'000	compensation	reserve	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	reserve	reserve	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006		290,004	35,572	39,399	1,935	(1)	24,808	391,717
Exchange differences arising from translation of financial statements of overseas operations		-	-	-	(1,585)	-	-	(1,585)
Recognition of equity-settled share based payments		-	-	30,476	-	-	-	30,476
Net profit for the period		-	-	-	-	-	3,523	3,523
At 30 September 2006		290,004	35,572	69,875	350	(1)	28,331	424,131

MANAGEMENT DISCUSSION AND ANALYSIS

China Vanguard Group, through various subsidiaries, is contracted to provide software, hardware and other support services to the China lottery industry in various provinces in the PRC. Further, the Group is also involved in the distribution of bee related products and other natural products. Via its listed subsidiary, Aptus Holdings Limited (“Aptus”), the Group is also engaged in the oil and gas related businesses in PRC.

FINANCIAL REVIEW

For the three months ended 30 September 2007, the Group recorded an unaudited consolidated revenue from continuing operations of HK\$41,083,000, which represented an increase of approximately 87% as compared to HK\$21,985,000 for the three months ended 30 September 2006. The increase was mainly due to the maiden first quarter contributions from Changde Huayou Gas Co., Ltd. (“Changde Joint Venture”) and Hunan Huayou Natural Gas Transportation and Distribution Limited (“Hunan Joint Venture”), which were approximately HK\$12,793,000. In addition, there were contributions from the China lottery-related operation from Zhejiang Province whereas there was none for the previous corresponding period.

The gross profit for the three months ended 30 September 2007 increased by approximately 4 times to approximately HK\$12,547,000 (2006: HK\$2,457,000). Approximately HK\$7,551,000 of gross profit was generated by the lottery-related operations and HK\$4,536,000 of gross profit was generated by the oil and gas operations. Overall, gross profit ratio increased to approximately 30.5% for the current period from approximately 11.2% previously, due to a higher gross profit margin contributed by our lottery-related operations.

Net loss attributable to shareholders for the current period was approximately HK\$19,449,000 (2006: profit of HK\$3,523,000). There was an approximate 652% decrease in the net profit attributable to shareholders over the last corresponding period. The bulk of this decrease was due to the lack of profit from the discontinued operations in the current period whereas we had profit from discontinued operations of HK\$29,342,000 for the previous corresponding period. During the period under review, there was approximately HK\$8,322,000 (2006: HK\$30,400,000) in share option expenses charged to the profit and loss, an approximate 73% decrease as compared to the last corresponding period. Factoring out the share option expenses, net loss for the current quarterly period was HK\$11,127,000, and for the period ended 30 September 2006, a profit of HK\$4,581,000 after factoring out both share option expenses and profit from the discontinued operations would have been posted.

BUSINESS REVIEW

During the period under review, the Group continued to work on the development of its China lottery related operations and China oil and gas related businesses.

Shenzhen Bozone IT Co., Limited (“Bozone”), our flagship vehicle in the China traditional social welfare lottery, with operations in Heilongjiang, Zhejiang and Shenzhen, is continuing to further expand its existing operations in the areas of software development for large scale computer lottery sales systems, integration of network systems, network security solutions, research, development and manufacturing of computer lottery terminals, and lottery operation solutions and services.

With regards to Aptus, operationally, the results continue to predominately reflect the trading of edible oil products and the selling of natural gas. While drilling at the Group’s Xin Jiang Oilfield is in progress, commercial production of crude has yet to commence.

On the natural gas side, we are confident that our 48.33% stake Changde Joint Venture (a city level natural gas pipeline project) and 33.0% stake Hunan Joint Venture (a provincial level natural gas pipeline project) will be able to bring to the Group notable profits in future as they are scaling up their production capacities to meet the growing energy demand in the Hunan province.

FUTURE OUTLOOK AND PROSPECTS

CVG has diversified from predominantly being a producer and distributor of bee and natural products into two new exciting industries, namely the lottery-related and the oil and gas-related sectors in China.

Via Bozone, the Company offers vertically integrated software, hardware and related services to the traditional welfare lottery segment in the PRC in return for a share of lottery revenues. This allows the Group to participate in the rapid growth in the PRC lottery sector. It is our objective this year to continue building on our existing products and further develop in the area of POS machines as well as to continue to expand geographically.

At Aptus, we will concentrate on moving to commercial production at the Xin Jiang Oilfield and scaling up operation at the two natural gas joint ventures in the Hunan province. We believe the development of the Xin Jiang Oilfield will enable the Group to capitalize on the current strong demand and pricing environment for crude thereby enhancing profitability and operational cash flow going forward. Meanwhile, in addition to the two aforementioned natural gas related projects the Group will continue to explore more opportunities in the natural gas business in the PRC which we consider to have substantial growth potential in light of the PRC government’s desire to increase the proportion of gas utilization, a more environmental friendly energy source, in the country’s energy mix. The objective of management is to develop Aptus Holdings Limited into a major diversified oil and gas group and we will continue to seek out every opportunity to expand further.

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

As at 30 September 2007, 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 Stock 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 Stock Exchange, were as follows:

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

Name of Directors	Company/Name of associated corporation	Interest in controlled corporation	Number of shares held			Approximate percentage of shareholding
			Beneficial owner	Family interest	Total interest	
Cheung Kwai Lan	Company	361,695,000 <i>(Note 1)</i>	2,070,000 <i>(Note 2)</i>	–	363,765,000	38.83%
Chan Tung Mei	Company	–	–	363,765,000 <i>(Notes 1 & 2)</i>	363,765,000	38.83%
Lau Hin Kun	Company	–	575,000	–	575,000	0.06%
Cheung Kwai Lan	Best Frontier Investments Limited	–	909	1 <i>(Note 3)</i>	910	–
Chan Tung Mei	Best Frontier Investments Limited	–	1	909 <i>(Note 3)</i>	910	–
Cheung Kwai Lan	Aptus Holdings Limited	971,746,428 <i>(Note 4)</i>	–	–	971,746,428	57.23%
Chan Tung Mei	Aptus Holdings Limited	–	–	971,746,428 <i>(Note 4)</i>	971,746,428	57.23%

Notes:

1. The 361,695,000 Shares are owned by Best Frontier Investments Limited (“Best Frontier”) which is owned as to 99.89% and 0.11% by respectively 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 363,765,000 Shares by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO.
2. 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.
3. 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.
4. 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 30 September 2007, Best Frontier is interested in approximately 38.61% 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 option 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 of 10 years commencing from 18 October 2002.

Name of Directors	Date of grant	Exercise Price HK\$	Outstanding at 1 July 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2007	Exercise period of share options
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	18/8/04	0.427 (adjusted)	1,600,000	-	-	-	1,600,000	19/8/2004 – 17/10/2012
	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 at 1 July 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2007	Exercise period of share options
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			24,870,000	-	-	-	24,870,000	

(3) Long positions in underlying Shares

By an announcement dated 29 September 2006, the Board announced, among other matters, that it had resolved to propose to issue Warrants to qualifying Shareholders on the basis of one Warrant for every five then existing Shares. The Warrants are exercisable at an initial exercise price of HK\$1.33 per Share for a subscription period of two years, i.e. up to and including 2 November 2008. The Warrants were issued to the qualifying Shareholders on 1 November 2006. Each Warrant entitles the holder thereof to subscribe for one Share. For further details, please refer to the circular of the Company dated 6 October 2006.

Name of Directors	Capacity	Number of Warrants and number of Shares entitled pursuant to the full exercise of the Warrants held as at 30 September 2007
Cheung Kwai Lan	Beneficial owner	276,000
Lau Hin Kun	Beneficial owner	90,000

Save as disclosed herein, as at 30 September 2007, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock 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 required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock 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 period.

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

As at 30 September 2007, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed or taken to have, 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 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 Investments Limited	Beneficial owner	361,695,000 <i>(Note 1)</i>	–	38.61%
Oppenheimer Funds, Inc.	Investment manager	165,000,000	–	17.61%
Haven Associates Limited	Interest in controlled corporation	69,900,000 <i>(Note 2)</i>	–	7.46%
Shaw Kyle Arnold Junior	Interest in controlled corporation	69,900,000 <i>(Note 2)</i>	–	7.46%

Notes:

1. The 361,695,000 Shares are owned by Best Frontier Investments Limited which is owned as to 99.89% and 0.11% respectively by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other.
2. The 69,900,000 Shares represent:
 - (a) 1,545,000 Shares beneficially owned by Shaw, Kwei & Partners (Asia) Ltd.
 - (b) 36,930,000 Shares beneficially owned by China Value Investment Limited which is wholly-owned by Asian Value Investment Fund L.P. (AVIF, L.P.), a limited liability partnership, whose general partner Shaw, Kwei & Partners (Asia) Ltd. (having a 1% interest in AVIF, L.P.) is deemed under the SFO to have interest in the same 36,930,000 Shares.
 - (c) 31,425,000 Shares beneficially owned by Javelin Capital Holdings Limited which is wholly-owned by Asian Value Investment Fund II, L.P. (AVIF II, L.P.), a limited liability partnership, whose general partner SKP Capital Limited (having a 1.19% interest in AVIF II, L.P.) is deemed under the SFO to have interest in the same 31,425,000 Shares.
 - (d) Haven Associates Limited, a company controlled by Mr. Shaw Kyle Arnold Junior, is the controlling shareholder of Shaw, Kwei & Partners (Asia) Ltd. and SKP Capital Limited.

(2) Long positions in underlying Shares

Name of Shareholders	Capacity	Number of Warrants and number of Shares entitled pursuant to the full exercise of the Warrants held as at 30 September 2007
Best Frontier Investments Limited	Beneficial owner <i>(Note 1)</i>	48,226,000
Oppenheimer Funds, Inc.	Investment manager	22,000,000
Haven Associates Limited	Interest in controlled corporation <i>(Note 2)</i>	9,320,000
Shaw Kyle Arnold Junior	Interest in controlled corporation <i>(Note 2)</i>	9,320,000

Notes:

1. The 48,226,000 Warrants 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 respectively.
2. The 9,320,000 Warrants represent:
 - (a) 206,000 Warrants beneficially owned by Shaw, Kwei & Partners (Asia) Ltd.
 - (b) 4,924,000 Warrants beneficially owned by China Value Investment Limited which is wholly-owned by Asian Value Investment Fund L.P. (AVIF, L.P.), a limited liability partnership, whose general partner Shaw, Kwei & Partners (Asia) Ltd. (having a 1% interest in AVIF, L.P.) is deemed under the SFO to have interest in 4,924,000 Warrants.
 - (c) 4,190,000 Warrants beneficially owned by Javelin Capital Holdings Limited which is wholly-owned by Asian Value Investment Fund II, L.P. (AVIF II, L.P.), a limited liability partnership, whose general partner SKP Capital Limited (having a 1.19% interest in AVIF II, L.P.) is deemed under the SFO to have interest in 4,190,000 Warrants.
 - (d) Haven Associates Limited, a company controlled by Mr. Shaw Kyle Arnold Junior, is the controlling shareholder of Shaw, Kwei & Partners (Asia) Ltd. and SKP Capital Limited.

Save as disclosed above, as at 30 September 2007, the Directors or chief executive 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company’s financial reporting and internal control procedures. The audit committee consisted of three independent non-executive Directors, namely Mr. Tian He Nian, Mr. 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 ended 30 September 2007 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.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

During the three months ended 30 September 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares.

By order of the Board
CHAN Ting
Director

Hong Kong, 14 November 2007

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