



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 2008/2009

* for identification purposes only

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

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

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

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

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 2008, together with the comparative unaudited figures for the corresponding period in 2007, are as follows:

		(Unaudited)	
		Three months ended	
		30 September	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	52,282	41,083
Cost of sales		(39,530)	(28,536)
Gross profit		12,752	12,547
Other revenue		1,730	451
Selling and distribution costs		(5,741)	(3,171)
Administrative expenses		(19,114)	(19,565)
Gain on disposal of a subsidiary held by a jointly controlled entity		1,163	–
Loss from operations		(9,210)	(9,738)
Finance costs		(16,375)	(7,849)
Loss before income tax		(25,585)	(17,587)
Income tax expenses	3	(134)	(816)
Loss for the period		(25,719)	(18,403)
Attributable to:			
Equity holders of the Company		(26,369)	(19,449)
Minority interests		650	1,046
		(25,719)	(18,403)
Loss per share	5		
Basic (cents)		(0.82)	(2.08)

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 2008.

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) 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 Karaoke CMS services.

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 (2007: 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 2008 (2007: 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) Three months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purposes of basic loss per share	(26,369)	(19,449)

Number of shares

	(Unaudited) Three months ended 30 September	
	2008	2007
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	3,235,153	936,601

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)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share	Convertible	Capital	Share-based	Share	Translation	Special	Accumulated	Total
	premium	bonds	redemption	compensation	options	reserve	reserve	losses	
	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	2,178	-	-	2,178
Repurchase of shares	(2,409)	-	45	-	-	-	-	(45)	(2,409)
Exercise of warrants	4	-	-	-	-	-	-	-	4
Net loss for the period	-	-	-	-	-	-	-	(26,369)	(26,369)
At 30 September 2008	2,164,323	10,712	45	35,572	11,282	37,273	(1)	(70,530)	2,188,676

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share	Convertible	Employee	Share	Translation	Special	Accumulated	Total	
	Premium	bonds	Share-based	options	reserve	reserve	losses		
	reserve	reserve	compensation	reserve	reserve	reserve	reserve	reserve	reserve
	HK\$'000	HK\$'000	reserve	reserve	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	

7. EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, on 23 October 2008, the Company's non-wholly owned subsidiary Aptus Holdings Limited ("Aptus"), the Trustee and the Security Trustee entered into the Amendment Deed, pursuant to which, the first Put Option Date of the convertible bonds issued by Aptus was amended from 21 November 2008 to 21 February 2009. Further details of the Amendment Deed are referred to the joint announcement made by the Company and Aptus dated 23 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Background

The Group is engaged in (1) lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. (“Bozone”); (2) the oil and gas-related businesses in the PRC via an indirect non-wholly owned subsidiary listed on GEM, Aptus Holdings Limited (“Aptus”); and (3) technology platforms for intellectual property (“IP”) protection and value-added services (“VAS”) in the entertainment sector in the PRC via Grand Promise International Limited (“Grand Promise”).

A major initiative undertaken in last fiscal year

The Group completed the acquisition of Grand Promise in the last quarter of the previous fiscal year; this gives the Group an effective 49% interest in China Culture Development Digital Technology Co., Ltd. (“CCDDT”) (北京中文發數字科技有限公司). CCDDT was granted the nationwide exclusive right, for the life of the joint venture (i.e. 30 years), by the Ministry of Culture Market Development Center (“MOC Market Development Center”) to establish and operate the nationwide karaoke content management service system (“Karaoke CMS”) (卡拉OK內容管理服務系統). Via the Karaoke CMS, CCDDT will carry out copyright transactions of karaoke programmes between intellectual property owners (“IP Owners”) and karaoke venues and also provide technical support and operational services for VAS at karaoke venues.

The China Audio-Video Copyright Association (“CAVCA”) (中國音像著作權集體管理協會) chose to work with Tian He Cultural Group Co. Ltd. (“Tian He”) (天合文化集團有限公司) formerly known as Beijing Tian He Culture Co. Ltd. (北京天合文化有限公司), a jointly controlled entity of CCDDT (together “CCDDT Group”), on an exclusive basis for 10 years to collect copyright fees from karaoke venues via utilising CCDDT Group’s copyright collection services and the Karaoke CMS. In addition, CCDDT Group would also be carrying out technical support and operational services for VAS in karaoke venues via the Karaoke CMS.

CCDDT will be accounted for as a jointly controlled entity and will be proportionately consolidated into the Group’s financial statements.

Financial Review

For the three months ended 30 September 2008 (“Period 2008”) the Group’s unaudited consolidated revenue was approximately HK\$52,282,000, which represented an increase of about 27.3% as compared to approximately HK\$41,083,000 for the three months ended 30 September 2007 (“Period 2007”). A portion of the increase was contributed by the newly acquired CCDDT Group. CCDDT Group has begun formal collection of copyright fees on behalf of IP Owners from karaoke venues in various provinces in the PRC.

Revenue from our oil and gas-related operations increased by about 29.1% in Period 2008 as compared to Period 2007. The Changde Huayou Gas Co., Ltd (“Changde Joint Venture”) and the Hunan Huayou Natural Gas Transportation and Distribution Limited (“Hunan Joint Venture”) recorded significant growth in revenue as compared to the previous corresponding period. The Changde Joint Venture and the Hunan Joint Venture contributed approximately HK\$22,818,000 in revenue as compared to approximately HK\$12,793,000 for the previous corresponding period, an increase of about 78.4%. The revenue from our edible oil trading business was almost flat for Period 2008 as compared to Period 2007 and the revenue from our lottery-related operations decreased for Period 2008 due to a reduction in one-off POS machines sales as compared to Period 2007.

The gross profit for Period 2008 increased slightly by about 1.6% to approximately HK\$12,752,000 (Period 2007: approximately HK\$12,547,000).

Gross profit ratio decreased to 24.4% for Period 2008 as compared to 30.5% for Period 2007. Gross profit ratio for the natural-gas related operation decreased from 35.9% in Period 2007 to 19.4% in Period 2008. This was mainly attributable to the change of accounting estimate on depreciation of gas pipelines held by the two natural gas joint ventures. The corresponding year of depreciation of gas pipelines changed from 20 years to 14 years since December 2007. Gross profit ratio for the lottery-related operation increased for Period 2008 due to a higher ratio of system maintenance revenue to POS machines sales.

For the three months ended 30 September 2008, loss for the period recorded was approximately HK\$25,719,000 (Period 2007: approximately HK\$18,403,000), an increase of about 39.8% as compared to previous corresponding period. The bulk of the increase was mainly attributable to the net effect of (i) an increase in depreciation expenses (excluding depreciation charged to cost of sales) from approximately HK\$3,537,000 in Period 2007 to approximately HK\$4,980,000 in Period 2008 mainly due to the change in accounting estimate on the depreciation of the gas pipelines held by the two natural gas joint ventures; (ii) nil share option expense charged against the Group's profit and loss account in Period 2008 from approximately HK\$8,322,000 in Period 2007; (iii) an increase in salary expenses from approximately HK\$5,609,000 in Period 2007 to approximately HK\$8,818,000 in Period 2008 due to increase in pay scale and increase in staff; (iv) an increase in legal and professional fees from approximately HK\$150,000 in Period 2007 to approximately HK\$751,000 in Period 2008; (v) an increase in traveling expenses from approximately HK\$851,000 in Period 2007 to approximately HK\$1,373,000 in Period 2008 due to more business traveling within the PRC; (vi) increase in rental expenses from approximately HK\$965,000 in Period 2007 to approximately HK\$1,459,000 in Period 2008; (vii) first absorption of expenses from CCDDT Group in this period whereas none in the previous corresponding period; (viii) increase in interest expenses from approximately HK\$7,849,000 in Period 2007 to approximately HK\$16,375,000 mainly due to the assumption of the Grand Promise convertible bonds and the increase in imputed finance costs for Aptus' convertible bonds; and (ix) general increase in operating expenses.

During the period under review, there was a disposal of a subsidiary of a jointly controlled entity.

2008 Warrants

The listing of the 2008 Warrants has been withdrawn at the close of business on 31 October 2008.

Business Review

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

For the technology platforms for IP protection and VAS in the entertainment sector, the acquisition of Grand Promise gives the Company an effective 49% interest in CCDDT. CCDDT Group acts on behalf of the IP Owners to collect copyright fees from karaoke venues and also provide technical support and operational services for VAS at karaoke venues via the Karaoke CMS. Tian He has begun formal collection of copyright fees from karaoke venues in 16 provinces in the PRC on behalf of CAVCA and IP owners. As of the date of this report, Tian He has established subsidiaries in 16 provinces and is in the process of implementing the karaoke CMS in 30 provinces.

Regarding the convertible bonds issued by Grand Promise, which was assumed by the Group upon acquisition, as of the date of this report, all monies previously held in an escrow account has been fully released to the Group.

Bozone and its subsidiaries (“Bozone Group”), our subsidiaries in PRC traditional welfare lottery-related operations, has 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 predominately reflect the edible oil trading business and the distribution of natural gas. As of the date of this report, the Changde Joint Venture has completed about 712 km of city-level pipelines connecting approximately 170 commercial users, 8 industrial users, 109 public welfare establishments and approximately 57,000 residential users to its network as of the date of this report. 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.

Future Outlook and Prospects

The Company has gone through significant developments to get to where we are today. We are participating in (1) the lottery-related businesses, (2) the oil and gas-related business, and (3) the technology platforms for IP protection and VAS in the entertainment sector.

It is our objective to become a major vertically integrated player in the PRC lottery-related sector, and with our new branch office in Beijing we are a step closer to our aim of becoming a one-stop solution provider to Lottery Centers across the PRC. Bozone is currently ranked as the third largest lottery solution provider to the Welfare Lottery 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.

At Aptus, natural gas-related operations will be a key revenue driver. We will concentrate on scaling up operation at the two natural gas joint ventures in the Hunan province. We believe the development of the Xin Jiang Oilfield would enhance the profitability and operational cash flow of the Group going forward.

With regards to the Karaoke CMS, it is the Group's objective to become the leader in culture and intellectual property related industries in the PRC. The Karaoke CMS is targeted to be operational and collecting fees on behalf of IP Owners in 25 provinces and direct jurisdiction cities before the end of year 2008. By the end of calendar year 2009, the Karaoke CMS is targeted to be operational and providing services for copyright transactions in all the provinces in the PRC. Meanwhile, CCDT Group will simultaneously work to develop and rollout other VAS of the platform.

The Company believes the tapping into the new business of the Karaoke CMS will broaden the Group's revenue base and help to diversify the overall business risks of the Group.

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 2008, 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

	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	64.94%
Chan Tung Mei	Company	-	-	2,097,927,322 (Notes 1 & 2)	2,097,927,322	64.94%
Lau Hin Kun	Company	-	1,410,000	-	1,410,000	0.04%
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	55.23%
Chan Tung Mei	Aptus Holdings Limited	-	-	971,746,428 (Note 4)	971,746,428	55.23%

Notes:

1. 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. 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.
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 2008, Best Frontier is interested in approximately 64.87% 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 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2008	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	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 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2008	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			23,270,000	-	-	-	23,270,000	

(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 2008
Cheung Kwai Lan	Beneficial owner	276,000
Lau Hin Kun	Beneficial owner	90,000

Save as disclosed herein, as at 30 September 2008, 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 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 ended 30 September 2008.

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

As at 30 September 2008, 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 Shareholders	Capacity	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	
Best Frontier Investments Limited	Beneficial owner	2,095,857,322 (Note 1)	–	64.87%
Oppenheimer International Small Company Fund	Investment manager	165,000,000 (Note 2)	–	5.11%
OppenheimerFunds, Inc.	Investment manager	165,000,000 (Note 2)	–	5.11%
Mega Capital International Limited	Beneficial owner	162,876,520 (Note 3)	–	5.04%
Wong Sorahardjo	Interest in controlled corporation	162,876,520 (Note 3)	–	5.04%

Notes:

1. The 2,095,857,322 shares are owned by Best Frontier Investments Limited 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. Oppenheimer International Small Company Fund is managed by OppenheimerFunds, Inc.
3. Mega Capital International Limited is 100% owned by Mr. Wong Sorahardjo. Accordingly, Mr. Wong Sorahardjo is deemed to be interested in the Shares held by Mega Capital International 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 2008
Best Frontier Investments Limited	Beneficial owner (<i>Note 1</i>)	48,226,000
Oppenheimer International Small Company Fund	Investment manager (<i>Note 2</i>)	22,000,000
OppenheimerFunds, Inc.	Investment manager (<i>Note 2</i>)	22,000,000

Notes:

1. The 48,226,000 Warrants are owned by Best Frontier Investments Limited 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. Oppenheimer International Small Company Fund is managed by OppenheimerFunds, Inc.

Save as disclosed above, as at 30 September 2008, 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.

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 ended 30 September 2008 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 4,475,000 ordinary shares of the Company on the Stock Exchange in September 2008 for an aggregate amount of HK\$2,454,500 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
Total:	4,475,000		

The company is in the process of canceling the repurchases shares.

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 ended 30 September 2008.

By order of the Board
CHAN Ting
Director

Hong Kong, 13 November 2008

As at the date of this report, the executive directors are Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Ms. Chan Siu Sarah, Mr. Chan Ting 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.