



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
2011/2012

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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 ended 30 September 2011 (“Period 2011”), together with the comparative unaudited figures for the corresponding period in 2010 (“Period 2010”), are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2011	2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	2	28,350	30,332
Cost of sales		(9,826)	(13,942)
Gross profit		18,524	16,390
Other revenue		6,864	381
Selling and distribution costs		(3,845)	(2,837)
Administrative expenses		(18,696)	(18,785)
Finance costs		(624)	(877)
PROFIT/(LOSS) BEFORE TAXATION		2,223	(5,728)
Income tax expenses	3	(501)	(1,323)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		1,722	(7,051)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	7	–	57,320
PROFIT FOR THE PERIOD		1,722	50,269

	(Unaudited)	
	Three months ended	
	30 September	
	2011	2010
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME		
Exchange difference on translation of financial statements of foreign operations		
Continuing operations	4,830	35
Discontinued operations	–	42
Positive movement from acquisition of non-controlling interests		
Continuing operations	3,672	–
	8,502	77
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	10,224	50,346
PROFIT/(LOSS) FOR PERIOD ATTRIBUTABLE TO:		
Equity holders of the Company		
Continuing operations	1,842	(4,282)
Discontinued operations	–	57,320
	1,842	53,038
Non-controlling interests		
Continuing operations	(120)	(2,769)
Discontinued operations	–	–
	(120)	(2,769)
PROFIT FOR THE PERIOD		
	1,722	50,269

		(Unaudited)	
		Three months ended	
		30 September	
		2011	2010
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
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Total comprehensive income for the period attributable to:			
Equity holders of the Company			
	Continuing operations	8,510	(4,247)
	Discontinued operations	–	57,362
		8,510	53,115
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Non-controlling interest			
	Continuing operations	1,714	(2,769)
	Discontinued operations	–	–
		1,714	(2,769)
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,224	50,346
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EARNINGS/(LOSS) PER SHARE (HK Cents)	5		
From continuing and discontinued operations:			
	Basic	0.06	1.65
		0.06	1.65
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From continuing operations:			
	Basic	0.06	(0.13)
		0.06	N/A
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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 ("HKICPA"). They have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The principal accounting policies used in the unaudited consolidated results are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2011. The financial statements are unaudited but have been reviewed by the Audit Committee.

In the current period, the Group has newly adopted, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year commencing on 1 July 2011.

HKAS 24 (Revised 2009)	Related party disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of items of other comprehensive income ²
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ¹
HKAS 19 (Revised 2011)	Employee benefits ³
HKAS 27 (Revised 2011)	Separate financial statements ³
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ³
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ³
HKFRS 11	Joint arrangements ³
HKFRS 12	Disclosure of interests in other entities ³
HKFRS 13	Fair value measurement ³

¹ Effective for annual periods beginning on or after 1 January 2012

² Effective for annual periods beginning on or after 1 July 2012

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

2. REVENUE

The principal activities of the Group are (i) provision of lottery-related services, (ii) provision of entertainment VAS services and (iii) food and catering 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 Period 2011 (Period 2010: 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 2011 (Period 2010: Nil).

5. EARNING/(LOSS) PER SHARE

For continuing and discontinued operations

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

Earnings

	(Unaudited)	
	Three months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	1,842	53,038

Number of shares

	(Unaudited)	
	Three months ended	
	30 September	
	2011	2010
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,243,524	3,211,894
Effect of dilutive potential ordinary shares:		
Warrants	13,987	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,257,511	3,211,894

5. EARNING/(LOSS) PER SHARE (Continued)

From continuing operations

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

	(Unaudited)	
	Three months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period attributable to equity holders of the Company	1,842	53,038
Less: Profit for the period from discontinued operations	–	57,320
Profit/(loss) for the purposes of basic earnings per share from continuing operations	1,842	(4,282)

The denominator used is the same as those detailed above for basic earnings per share.

Diluted earnings per share for the continuing operations is HK0.06 cent per share based on the profit of HK\$1,842,000 and the denominator used is the same as those detailed above for diluted earnings per share.

No diluted earnings per share has been presented for continuing operations for Period 2010 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.

From discontinued operations

Basic earnings per share for the discontinued operations is HK\$nil per share (Period 2010: earnings of approximately HK1.79 cents per share) based on the profit of HK\$nil for the period from discontinued operations (Period 2010: profit of approximately HK\$57,320,000) and the denominators used for Period 2010 is the same as those detailed above for basic earnings per share.

Diluted earnings per share for the discontinued operations is HK\$nil per share (Period 2010: earnings of approximately HK1.79 cents per share) based on the profit of HK\$nil for the period from discontinued operations (Period 2010: profit of approximately HK\$57,320,000) and the denominator used for Period 2010 is the same as those detailed above for diluted earnings per share.

6. MOVEMENT OF RESERVES

For the period ended 30 September 2011

(Unaudited)										
Attributable to equity holders of the Company										
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Positive movement due to acquisition of non-controlling interest HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
At 1 July 2011	2,157,154	234	35,572	11,092	20,722	(1)	-	(1,120,429)	-	1,104,344
Profit for the period	-	-	-	-	-	-	-	1,842	-	1,842
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	2,996	-	-	-	-	2,996
Positive movement from acquisition of non-controlling interests	-	-	-	-	-	-	3,672	-	-	3,672
Total comprehensive income for the period	-	-	-	-	2,996	-	3,672	1,842	-	8,510
Share issued on exercised of warrants	6,320	-	-	-	-	-	-	-	-	6,320
At 30 September 2011	2,163,474	234	35,572	11,092	23,718	(1)	3,672	(1,118,587)	-	1,119,174

6. MOVEMENT OF RESERVES (Continued)

For the period ended 30 September 2010

	(Unaudited)									
	Attributable to equity holders of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reverse HK\$'000	Positive movement due to acquisition of non-controlling interest HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
At 1 July 2010	2,155,574	234	35,572	11,092	12,661	(1)	-	(1,181,868)	441,190	1,474,454
Profit for the period	-	-	-	-	-	-	-	53,038	-	53,038
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	77	-	-	-	-	77
Total comprehensive income for the period	-	-	-	-	77	-	-	53,038	-	53,115
At 30 September 2010	2,155,574	234	35,572	11,092	12,738	(1)	-	(1,128,830)	441,190	1,527,569

7. DISCONTINUED OPERATIONS

On 17 September 2010, the Company announced its intention to dispose of the Group's remaining equity interest in Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited ("HK Life")), and HK Life has ceased to be an indirect non wholly-owned subsidiary of the Company. As a result of such, HK Life is considered to be discontinued operations of the Group for Period 2010.

The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below:

	(Unaudited)	
	Three months ended	
	30 September	
	2011	2010
	HK\$'000	<i>HK'000</i>
Profit for the period from discontinued operations		
Revenue and other revenue	–	5,667
Expenses	–	(10,592)
Loss on investment	–	(24,886)
Gain on deconsolidation of HK Life	–	87,141
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Profit before taxation	–	57,330
Income tax	–	(10)
		<hr/>
Profit for the period from discontinued operations	–	57,320

8. SUBSEQUENT EVENTS

Subsequent to the reporting period, the Shenzhen Bozone I.T. Co., Ltd. ("Bozone") (「深圳市博眾信息技術有限公司」), entered into the Share Transfer Agreement with China Culture Development Digital Technology Co., Ltd. ("CCDDT") (「北京中文發數字科技發展有限公司」), pursuant to which, inter alia, Bozone has agreed to acquired and CCDDT has agreed to sell 55% equity interest of Chongqing Lightsoft Technology Development Co., Ltd ("Lightsoft") (「重慶禮光博軟科技發展有限公司」) for the consideration of RMB3,751,000 (equivalent to approximately HK\$4,589,000). For further details, please refer to the announcement dated 14 October 2011 of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group is principally engaged in the provision of lottery-related software, equipment and services to the Welfare Lottery Issuing Centres in China and also the provision of equipment and value added services (“VAS”), such as royalty collection and lottery related services (amongst others), to the entertainment industry in China. For the three months ended 30 September 2011 (“Period 2011”) the Group recorded unaudited consolidated revenue of HK\$28.4 million, down 6.5% against the previous corresponding period’s HK\$30.3 million. The fall in revenue was due to a reduction in low margin and loss making businesses. Consequently, despite lower revenue, gross profits rose 13% to HK\$18.5 million from HK\$16.4 million previously with gross profit ratio rising to 65.3% from 54.0% previously. The Group’s total revenue, comprising gross profit and other revenue, increased significantly by 51.4% to HK\$25.4 million. The Group’s total operating costs comprising selling and distribution costs, administrative expenses and finance costs increased by 3% to HK\$23.2 million.

For Period 2011, the unaudited net profit attributable to equity holders of the company was HK\$1.8 million as compared to HK\$53.0 million recorded for Period 2010. However, factoring out profit from discontinued operations reported for Period 2010, the Group achieved a turnaround in its continuing operations recording a net profit attributable to equity holders of HK\$1.8 million for Period 2011 against net losses of HK\$4.3 million for Period 2010.

During Period 2011, the Company redeemed GPIL Bonds in the principal amount of approximately US\$215,000. The outstanding principal amount of the GPIL Bonds as at 30 September 2011 is approximately US\$710,000.

Business Review

Steady progress is continuing to be made by our lottery-related and our entertainment equipment and VAS operations during Period 2011 as illustrated by the 13% growth in gross profit compared to the previous corresponding period and turnaround of the continuing operations.

Lottery-related operations

Building on the momentum and developments of the last financial year, these operations continue with the upgrading of its product offerings in terms of features and quality and are pursuing the introduction of our newly developed “Happy Ten” game into a number of potential jurisdictions. In addition to our software, equipment and service offerings on the traditional lottery side, we are now moving downstream into establishment of

point of sales outlets for Welfare Lottery products. We are pleased to announce that we have recently opened our first outlet in Tianjin. We are currently looking for more sites in Tianjin as well as further similar opportunities in other jurisdictions in China. Meanwhile, we are working with a top international lottery equipment company on exploring and developing potential areas of cooperation in the Welfare Lottery space.

Entertainment VAS operations

Our entertainment VAS operations which currently focus on the provision of video-on-demand (VOD) equipment, royalty collection and lottery related services (amongst others) to the karaoke industry continues to make good progress.

Our VOD system is the industry's first VAS and lottery capable set top box based in-room song selection system. Launched in the last fiscal year, response by the market has been very positive and sales continue to proceed well. Not only is the system state of the art in terms of song selection, audio and video output, special effects and drinks and food ordering, it is also capable of linking to the Welfare Lottery Issuing Centre for lottery game play and it is also capable of running advertising via multiple advertising formats: on the song selection screen, the screen where the songs are being displayed or another totally dedicated screen for advertising.

This system provides us with an exclusive integrated technology platform to turn karaoke rooms into lottery point of sales. In December 2010, we gained Chongqing Welfare Lottery Issuing Centre's approval, using this system, to offer Welfare Lottery games in karaoke venues in Chongqing on an exclusive basis. This enables us to work with karaoke venues in Chongqing to establish them as lottery point of sales. During Period 2011, we rolled out, on a limited basis, our system to various venues in Chongqing to optimise games and venue formats before an aggressive rollout. The system and equipment has been performing admirably, has been well received by the market and has gained strong support from the Chongqing Welfare Lottery Issuing Centre. Meanwhile, your team has working diligently on replicating the success in Chongqing and the idea of establishing karaoke venues as points of sales for Welfare Lottery products has been well received by Welfare Lottery Centres in a number of jurisdictions.

FUTURE OUTLOOK AND PROSPECTS

We are optimistic about the outlook for our traditional lottery operations. Consequently we increased our stake in Shenzhen Bozone I.T. Co., Ltd (“Bozone”) (「深圳市博眾信息技術有限公司」), our traditional lottery-related operation arm, from 51% to 100%. This transaction was completed in July this year for a consideration of HK\$27.2 million, equivalent to a 2.8x Year 2010 PE. The Group’s share of Bozone Group’s net profit will almost double in line with its increased shareholding. Further, Bozone Group’s operations, as the entire China Lottery Industry, are expected to continue to experience strong organic growth. Growth will be further enhanced by the introduction of the game Happy Ten by Bozone to a number of jurisdictions and its expansion downstream into point of sales outlets for Welfare Lottery Products. Meanwhile, we will continue to work on adding additional territories for our traditional lottery-related operation and solutions business.

We announced on 14 October 2011 that we were buying a 55% equity interest of Chongqing Lightsoft Technology Development Co. Ltd. (“Lightsoft”) (「重慶禮光博軟科技發展有限公司」) for the consideration of RMB3,751,000 (equivalent to approximately HK\$4,589,000) from China Culture Development Digital Technology Co., Ltd. (“CCDDT”) (「北京中文發數字科技有限公司」). The purchase price is equivalent to a historic PE ratio of 2.6, based on the unaudited 12 month net profits to 30 June 2011. Lightsoft is the Group’s VOD supply arm. The acquisition of Lightsoft is an important part of the Group’s strategy to rollout value added services in karaoke venues.

The Group will continue to develop attractive and exciting lottery games for other in karaoke venues. Aggressive rollout to karaoke venues in Chongqing is planned to commence soon. Meanwhile, we are working hard to gain similar approvals to that of Chongqing with Welfare Lottery Issuing Centres in a number of jurisdictions in China.

Meanwhile, with the clarification of the law regarding copyright infringement as a criminal offence, the Group believes this will greatly facilitate the royalty collection efforts thereby enhance this segment’s performance.

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 2011, 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	Number of ordinary shares held			Total interest	Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest		
Cheung Kwai Lan	Company	1,676,457,322 (Note 1)	2,070,000 (Note 2)	-	1,678,527,322	51.46%
Chan Tung Mei	Company	-	-	1,678,527,322	1,678,527,322	51.46%
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	-

Notes:

1. The 1,676,457,322 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 respectively, 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 1,676,457,322 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.

(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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2011	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
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
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			22,220,000	-	-	-	22,220,000	

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 2011.

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

As at 30 September 2011, 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:

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	1,676,457,322 (Note 1)	-	51.40%

Note:

1. The 1,676,457,322 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.

Save as disclosed above, as at 30 September 2011, 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 three months ended 30 September 2011.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. 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. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai 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 2011 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 2011, 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, 9 November 2011

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