



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
2009/2010*

*For identification purposes only

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

RESULTS

The board of directors (the "Board") of China Vanguard Group Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 30 September 2009, together with the comparative unaudited figures for the corresponding period in 2008, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2009	2008
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
CONTINUING OPERATIONS			
Revenue	2	25,396	30,672
Cost of sales		(11,086)	(22,121)
Gross profit		14,310	8,551
Other revenue		331	1,296
Selling and distribution costs		(2,289)	(1,367)
Administrative expenses		(28,824)	(17,161)
Gain on disposal of a subsidiary held by a jointly controlled entity		–	1,163
Impairment loss on goodwill		(96,176)	–
Finance costs		(12,865)	(14,887)
LOSS BEFORE TAXATION		(125,513)	(22,405)
Income tax expenses	3	(1,011)	(134)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(126,524)	(22,539)
DISCONTINUED OPERATIONS	7		
Profit/(loss) for the period from discontinued operations		180,875	(3,180)
PROFIT/(LOSS) FOR THE PERIOD		54,351	(25,719)

	(Unaudited)	
	Three months ended	
	30 September	
	2009	2008
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
OTHER COMPREHENSIVE INCOME		
Exchange difference on translation of financial statements of foreign operations		
Continuing operations	134	966
Discontinued operations	–	1,063
Release of translation reserve due to disposal of jointly controlled entities		
Continuing operations	–	–
Discontinued operations	(19,990)	–
	(19,856)	2,029
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	34,495	(23,690)
Profit/(loss) for period attributable to:		
Equity holders of the Company		
Continuing operations	(136,390)	(23,189)
Discontinued operations	180,875	(3,180)
	44,485	(26,369)
Non-controlling interests		
Continuing operations	9,866	650
Discontinued operations	–	–
	9,866	650
PROFIT/(LOSS) FOR THE PERIOD	54,351	(25,719)

		(Unaudited)	
		Three months ended	
		30 September	
		2009	2008
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
		(Restated)	
<hr/>			
Total comprehensive income for the period attributable to:			
Equity holders of the Company			
	Continuing operations	(136,273)	(22,074)
	Discontinued operations	160,885	(2,117)
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		24,612	(24,191)
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Non-controlling interest			
	Continuing operations	9,883	501
	Discontinued operations	–	–
<hr/>			
		9,883	501
<hr/>			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,495	(23,690)
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EARNINGS/(LOSS) PER SHARE	5		
From continuing and discontinued operations:			
	Basic	1.385 HK cents	(0.815) HK cent
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	Diluted	1.384 HK cents	N/A
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From continuing operations:			
	Basic	(4.246) HK cents	(0.717) HK cent
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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 and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited.

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

The accounting policies and methods of computation used in the preparation of these unaudited consolidated results are consistent with those applied in the annual financial statements for the year ended 30 June 2009, except in relation to the following new HKFRSs (which include all HKFRSs, HKASs and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners
HK(IFRIC) – INT 18	Transfers of assets from customers

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) affected the accounting treatment for charges in parent's ownership interest in a subsidiary that did not result in loss of control, which is accounted for as equity transactions.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The application of HKAS 1 (Revised) Presentation of Financial Statements Introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ¹

¹ Effective for annual periods beginning on or after 1 January 2010

2. REVENUE

The principal activities of the Group are (i) provision of the karaoke content management service system and license fee collection business, a technology platform for intellectual property protection and value-added services for the karaoke industry (in the entertainment sector) in the PRC via Grand Promise International Limited; (ii) provision of lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. and its subsidiaries; (iii) trading business via Aptus Holdings Limited, an indirect non-wholly owned subsidiary listed on GEM; and (iv) distribution of natural supplementary products via our non-listed wholly-owned subsidiaries.

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 (2008: 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 2009 (2008: Nil).

5. EARNING/(LOSS) PER SHARE

For continuing and discontinued operations

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

Earnings/(loss)

	(Unaudited)	
	Three months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	44,485	(26,369)

Number of shares

	(Unaudited)	
	Three months ended	
	30 September	
	2009	2008
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	3,211,894	3,235,153
Effect of dilutive potential ordinary shares:		
Share options	2,265	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,214,159	N/A

No diluted loss per share has been presented for continuing and discontinued operations for the Period 2008, 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.

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

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.

	(Unaudited)	
	Three months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to equity holders of the Company	44,485	(26,369)
Less: Profit/(loss) for the period from discontinued operations	180,875	(3,180)
Loss for the purposes of basic loss per share from continuing operations	(136,390)	(23,189)

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

No diluted loss per share has been presented for continuing operations for 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.

From discontinued operations

Basic earnings per share for the discontinued operations is approximately HK5.631 cents per share (Period 2008: loss of approximately HK0.098 cent per share) based on the profit for the period from discontinued operations of approximately HK\$180,875,000 (Period 2008: loss of approximately HK\$3,180,000) and the denominators used is the same as those detailed above for basic earnings/(loss) per share.

Diluted earnings per share for the discontinued operations is approximately HK5.627 cents per share based on the profit for the period from discontinued operations of approximately HK\$180,875,000 and the denominator used is the same as those detailed above for diluted earnings per share. No diluted loss per share has been presented for discontinued operations for the Period 2008, 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)	(Unaudited)
	Share	Convertible	Capital	Employee	Share	Translation	Special	Accumulated	Discontinued	Total
	premium	bonds	redemption	Share-based	options	reserve	reserve	losses	operations	
	reserve	reserve	reserve	compensation	reserve	reserve	reserve	reserve	reserve	reserve
	reserve	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	HK\$'000
At 1 July 2009	2,155,574	10,712	234	35,572	11,282	14,314	(1)	(144,993)	19,990	2,102,684
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	117	-	-	-	117
Net income recognised directly in equity	-	-	-	-	-	117	-	-	-	117
Profit for the period	-	-	-	-	-	-	-	44,485	-	44,485
Release due to disposal of jointly controlled entities	-	-	-	-	-	-	-	-	(19,990)	(19,990)
Total comprehensive income for the period	-	-	-	-	-	117	-	44,485	(19,990)	24,612
Transfer from share option reserve to accumulated losses due to lapse of share options	-	-	-	-	(190)	-	-	190	-	-
At 30 September 2009	2,155,574	10,712	234	35,572	11,092	14,431	(1)	(100,318)	-	2,127,286

6. MOVEMENT OF RESERVES (Continued)

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share premium HK\$'000	Convertible bonds reserve HK\$'000	Capital redemption reserve HK\$'000	Employee Share-based compensation reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2008	2,166,728	10,712	-	35,572	11,282	35,095	(1)	(44,116)	2,215,272
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	2,178	-	-	2,178
Net income recognised directly in equity	-	-	-	-	-	2,178	-	-	2,178
Net loss for the period	-	-	-	-	-	-	-	(26,369)	(26,369)
Total comprehensive income for the period	-	-	-	-	-	2,178	-	(26,369)	(24,191)
Repurchase of shares	(2,409)	-	45	-	-	-	-	(45)	(2,409)
Exercise of warrants	4	-	-	-	-	-	-	-	4
At 30 September 2008	2,164,323	10,712	45	35,572	11,282	37,273	(1)	(70,530)	2,188,676

7. DISCONTINUED OPERATIONS

On 24 April 2009, the Group entered into agreements relating to the termination of the Profit Sharing Rights for return of monies provided to China Huayou Group Corporation and compensatory interest for an amount of approximately RMB39,856,000 (approximately HK\$45,226,000) and the disposals by Aptus of the equity interest in Changde Huayou Gas Co. Limited ("Changde Joint Venture") and Hunan Huayou Natural Gas Transportation and Distribution Co., Limited ("Hunan Joint Venture") for the consideration of approximately RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively.

The disposal of 48.33% interest in Changde Joint Venture and 33% interest in Hunan Joint Venture had completed on 10 September 2009 and 11 September 2009 respectively ("Dates of Disposal").

The combined results of the discontinued operations (i.e. holding of the oilfield sharing right and the gas related business) included in the consolidated statement of comprehensive income are set out below:

	(Unaudited)	
	From 1 July 2009 to Dates of Disposal HK\$'000	Three months ended 30 September 2008 HK\$'000
Profit/(loss) for the period from discontinued operations		
Revenue and other revenue	18,346	22,161
Expenses	(18,360)	(25,341)
Gain on disposal of jointly controlled entities	197,707	–
Profit/(loss) before taxation	197,693	(3,180)
Income tax	(16,818)	–
Profit/(loss) for the period from discontinued operations	180,875	(3,180)

8. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Background

The Group is principally engaged in (1) development and operation of technology platforms for intellectual property (“IP”) protection, collection of copyright (royalty/license) fees on behalf of IP owners and the provision of value-added services (“VAS”) in the entertainment sector in the PRC; (2) lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. (“Bozone”); (3) distribution of natural supplementary products, and; (4) the trading business via our indirect non-wholly owned GEM-listed subsidiary, Aptus Holdings Limited (“Aptus”).

Major developments in the first quarter

The operations of 49%-owned China Culture Development Digital Technology Co., Ltd. (“CCDDT”) (北京中文發數字科技有限公司) which provides copyright transactions services for karaoke programs between IP owners and karaoke venues via the nationwide karaoke content management service system (“Karaoke CMS”) (卡拉OK內容管理服務系統), and also provides technical and other support for provision of value-added services to karaoke venues, continued to gain momentum with regards both installation of set-top boxes in karaoke venues and the collection of copyright fees.

Rapid development of the Karaoke CMS operations was noted with already over 2,200 karaoke venues installed the Karaoke CMS. Excellent Union Communication Group Co., Ltd. (“Excellent Union”) (天合文化集團有限公司), a jointly controlled entity of CCDDT (together known as “CCDDT Group”) has established operational subsidiaries in 30 of PRC’s provinces. Collection of copyright fees, also known as license fees, commenced in 3 provinces in mid 2008. Collection of copyright fees has now expanded to 23 provinces in the PRC. Further to this, the CCDDT Group commenced pilot testing of VAS in Chongqing, the PRC.

In April 2009, Aptus entered into agreements relating to (i) the disposals of the equity interests in the Changde Huayou Natural Gas Co., Ltd. (“Changde Joint Venture”) and the Hunan Huayou Natural Gas Transportation and Distribution Company Limited (“Hunan Joint Venture”) (together “Natural Gas Joint Ventures”) for a total consideration of approximately RMB355,144,000 (approximately HK\$402,984,000), and; (ii) the termination of the profit sharing rights with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK\$45,226,000). The proceeds from the transactions will be used to retire a large portion of the Aptus’ debt as well as improving its working capital position. During the three months ended 30 September 2009, Aptus and the Company jointly announced the completion of the disposals of the Natural Gas Joint Ventures. For details, please refer to the joint announcements dated 28 August 2009, 11 September 2009 and 15 September 2009 respectively.

Financial Review

Financial information regarding the Natural Gas Joint Ventures and the profit sharing rights with respect to the Xin Jiang Oilfield for the three months ended 30 September 2009 ("Period 2009") have been classified as discontinued operations and the comparative figures for the three months ended 30 September 2008 ("Period 2008") have been restated accordingly.

For Period 2009 the Group's unaudited consolidated revenue from continuing operations were approximately HK\$25,396,000, which represented a decrease of about 17.2% as compared to approximately HK\$30,672,000 for Period 2008. The decrease was predominately due to a decline in turnover from Aptus' Singaporean subsidiary which carries on a trading business. The decline, however, was offset partly by the rapid developments of CCDDT Group as well as by a stronger performance from the Group's lottery operations.

The revenue from the Aptus' trading business was approximately HK\$3,073,000 for Period 2009 as compared to Period 2008 of approximately HK\$18,292,000 due to continuing tough market conditions. The revenue from our lottery-related operations increased by 32.2%, to approximately HK\$11,275,000 in Period 2009 from approximately HK\$8,527,000 in Period 2008 mainly due to the contribution from the Zhejiang province, the PRC. Meanwhile, CCDDT Group has successfully collected copyright fees on behalf of IP owners from karaoke venues in over 23 provinces in the PRC, an increase of 20 provinces year on year.

The gross profit for Period 2009 increased by about 67.3% to approximately HK\$14,310,000 (Period 2008: approximately HK\$8,551,000).

Gross profit ratio increased to 56.3% for Period 2009 as compared to 27.9% for Period 2008. Gross profit ratio increased due to the fact that the gross profit ratio from trading business is minimal. The turnover from Aptus' trading business of approximately HK\$18,292,000 in Period 2008 lowered the overall gross profit ratio of the Group for the three months ended 30 September 2008.

For the three months ended 30 September 2009, there was a significant turnaround in the bottom line with net profit after taxation of approximately HK\$44,485,000 against a net loss of approximately HK\$26,369,000 for the Period 2008. This turnaround is due predominantly to the gain from the disposals of the Natural Gas Joint Ventures of approximately HK\$197,707,000.

For Period 2009, profit for the period recorded was approximately HK\$44,485,000 (Period 2008: loss of approximately HK\$26,369,000). The bulk of the earnings turnaround of approximately HK\$70,854,000 was mainly attributable to the net effect of (i) an increase in profit from discontinued operations from HK\$nil in Period 2008 to approximately HK\$180,875,000 in Period 2009; (ii) a decrease in gain on disposal of a subsidiary held by a jointly controlled entity from approximately HK\$1,163,000 in Period 2008 to HK\$nil in Period 2009; (iii) an increase in impairment of goodwill from HK\$nil in Period 2008 to approximately HK\$96,176,000 in Period 2009; (iv) an increase in research and development expenses from approximately HK\$1,013,000 in Period 2008 to approximately HK\$3,819,000 in Period 2009; (v) a decrease in interest expenses from approximately HK\$16,375,000 in Period 2008 to approximately HK\$13,880,000 in Period 2009 mainly due to the repayment of part of the Grand Promise convertible bonds in July 2009; (vi) an increase in arrangement fee of convertible bonds from HK\$nil in Period 2008 to approximately HK\$3,500,000 in Period 2009; (vii) an increase in legal and professional fee charges from approximately HK\$751,000 in Period 2008 to approximately HK\$6,398,000 in Period 2009; and (viii) overall increase in operation costs.

Business Review

During the period under review, the Group continued to develop: (1) the Karaoke CMS and license fee collection business and potential value-added services (“VAS”); (2) lottery-related businesses in the PRC; (3) distribution of natural supplementary products; and (4) the trading business with the aim to accelerate the growth of overall financial position of the Group.

As mentioned previously, the Karaoke CMS has rolled out its installation to nearly all provinces in the PRC and has: (1) connected to over 2,200 karaoke venues in the PRC; (2) operations in almost every province in the PRC, and; (3) commenced collecting copyright fees in 23 provinces in the PRC. Further to this, CCDDT Group has made significant progress on the VAS side, which is expected to enhance karaoke venue revenues while providing additional entertainment and services to karaoke goers. VAS related systems have been developed and this software and hardware are currently being tested in Chongqing, the PRC. The VAS being tested within Chongqing’s pilot karaoke venues is the in-room provision of: (i) quick draw welfare lottery sales (drawn every 10 minutes), and; (ii) spot advertising. Feedback from both venues and patrons in Chongqing has been very positive. Further, the systems expandability and flexibility will also allow the Karaoke CMS to support additional type of VAS in the future.

Bozone and its subsidiaries ("Bozone Group"), our PRC traditional welfare lottery-related operations, continues to rank as the third largest lottery solution and transaction system related service provider to the welfare lottery in the PRC. Its coverage includes the Welfare Lottery Centers of Shenzhen, Heilongjiang and Zhejiang.

Through the non-listed wholly-owned subsidiaries of China Vanguard, the Group distributes various food products sourced from various Asian countries to bring into the Hong Kong market under the brand name B&B. Currently, the products of the Group can be found on the shelves of various major supermarket chain stores and department stores in Hong Kong while other snack items can be located in various promotion counters and food expos.

Aptus continued focusing on its trading business while at the same time exploited a non-edible oil trading business opportunity during the Period 2009. At the same time, Aptus is restructuring its operations to substantially improve its financial position.

With regards to Aptus' convertible bonds, during the period under review, Aptus entered into (i) a deed of undertaking dated 28 August 2009 and (ii) a deed of waiver dated 19 October 2009. Pursuant to the deed of undertaking, the bondholder(s) undertook, amongst other things, that it will not exercise its conversion rights under the Bonds and Aptus undertook it will redeem the Bonds when enough cash is available for redemption. Pursuant to the deed of waiver, Aptus agreed to shorten the notice period to five business days from the previous notice period of 30 business days with regards to the notice period for redemption of the Bonds. For further details, please refer to the joint announcements of the Company and Aptus dated 28 August 2009 and 19 October 2009 respectively.

Regarding the Grand Promise convertible bonds, the Group has been in negotiations with the bondholders with regards to the restructuring of the Grand Promise convertible bonds which resulted in a series of amendments and undertakings being entered into in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties. For further details, please refer to the announcements dated 18 June 2009, 15 July 2009, 4 August 2009, 28 August 2009, 14 September 2009, 22 September 2009, 29 September 2009 and 30 October 2009 respectively.

Future Outlook and Prospects and Events after the Reporting Period

The Group is principally engaged in (1) development and operation of technology platforms for intellectual property protection, collection of copyright (royalty/license) fees on behalf of IP owners and the provision of VAS in the entertainment sector in the PRC; (2) lottery-related businesses in the PRC via Bozone; (3) distribution of natural supplementary products, and; (4) trading business via Aptus.

China has over 50,000 licensed karaoke venues totaling over 2.4 million rooms. This provides a very large and attractive market for the provision of the Group and CCDDT's royalty fee collection and VAS services. CVG and the CCDDT Group has almost completed its nationwide footprint and will look to complete its nationwide coverage as well as increase its penetration of karaoke venues in each jurisdiction. Further to this, the CCDDT Group will also add to its suite of VAS in order to capitalize on the attractive market.

Meanwhile, the PRC's cultural industry is one of the industries that is strongly supported by the PRC government. This backdrop bodes well for the development and growth the industry which promises to become one of the fastest growing and most dynamic sectors of the PRC economy for the foreseeable future. We believe that the Group's current cultural and entertainment related business operations provides a strong base upon which to build upon and to also participate and contribute to the strong growth in China's cultural industry.

With regards to the provision of lottery-related businesses, Bozone Group will focus its efforts in advancing its technologies to achieve even higher standards in keeping with the objective to keep astride and ahead of the growing requirements in the PRC's welfare lottery sector. Acceleration in game development and system customization are also on the agenda. By satisfying local requirements, the Bozone Group will become even more competitive in the market place. Bozone Group will continue to actively seek out tenders in the PRC welfare lottery sector as well as search for international expansion opportunities.

Following the restructuring at Aptus, which will substantially improve its financial position, its operations for the meantime would consist of its edible oil trading operations. These operations are expected to improve on the back of increasing health consciousness and as the global economic conditions recover. Also, Aptus' Singapore operation will look for other trading business opportunities in light of the tougher market conditions. At the same time, the management of the Aptus has identified a number of attractive business opportunities and are in varying stages of due diligence. On 30 October 2009, the Aptus entered into a memorandum of understanding in respect of the possible acquisition of the entire issued share capital of Casdon Management Limited ("Casdon"). Casdon, together with its subsidiaries, are principally engaged in the operation and management of certain properties in Hong Kong that provide storage of personal properties of ancestors in Hong Kong. For further details, please refer to the announcement issued by Aptus on 30 October 2009.

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 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the 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			Total interest	Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest		
Cheung Kwai Lan	Company	2,095,857,322 <i>(Note 1)</i>	2,070,000 <i>(Note 2)</i>	–	2,097,927,322	65.32%
Chan Tung Mei	Company	–	–	2,097,927,322 <i>(Notes 1 & 2)</i>	2,097,927,322	65.32%
Lau Hin Kun	Company	–	1,410,000	–	1,410,000	0.04%
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	54.60%
Chan Tung Mei	Aptus Holdings Limited	–	–	971,746,428 <i>(Note 4)</i>	971,746,428	54.60%

Notes:

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

(2) Share options of the Company

The Company has adopted a share 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 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2009	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 2009.

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

As at 30 September 2009, 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	2,095,857,322 (Note 1)	–	65.25%

Notes:

- 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) Long positions in underlying Shares

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

Note:

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

Save as disclosed above, as at 30 September 2009, the Directors or chief executives of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

COMPETING INTERESTS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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 three independent non-executive directors, namely Mr. Tian He Nian, Mr. Zhang Xiu Fu 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 2009 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

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

During the three months ended 30 September 2009, 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, 12 November 2009

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