



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
2010 / 2011

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 2010 (“Period 2010”), together with the comparative unaudited figures for the corresponding period in 2009 (“Period 2009”), are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2010	2009
	Notes	HK\$'000	HK\$'000
			(Restated)
CONTINUING OPERATIONS			
Revenue	2	30,332	22,323
Cost of sales		(13,942)	(8,021)
Gross profit		16,390	14,302
Other revenue		381	331
Selling and distribution costs		(2,837)	(2,289)
Administrative expenses		(18,785)	(22,832)
Finance costs		(877)	(3,967)
LOSS BEFORE TAXATION		(5,728)	(14,455)
Income tax expenses	3	(1,323)	(1,011)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(7,051)	(15,466)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	7	57,320	69,817
PROFIT FOR THE PERIOD		50,269	54,351

	(Unaudited)	
	Three months ended	
	30 September	
	2010	2009
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Restated)
OTHER COMPREHENSIVE INCOME		
Exchange difference on translation of financial statements of foreign operations		
Continuing operations	35	95
Discontinued operations	42	39
Release of translation reserve due to disposal of jointly controlled entities		
Discontinued operations	–	(19,990)
	77	(19,856)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	50,346	34,495
Profit/(loss) for period attributable to:		
Equity holders of the Company		
Continuing operations	(4,282)	(25,332)
Discontinued operations	57,320	69,817
	53,038	44,485
Non-controlling interests		
Continuing operations	(2,769)	9,866
Discontinued operations	–	–
	(2,769)	9,866
PROFIT FOR THE PERIOD		
	50,269	54,351

		(Unaudited)	
		Three months ended	
		30 September	
		2010	2009
	<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		(4,247)	(25,254)
Discontinued operations		57,362	49,866
		53,115	24,612
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Non-controlling interest			
Continuing operations		(2,769)	9,883
Discontinued operations		–	–
		(2,769)	9,883
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		50,346	34,495
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EARNINGS/(LOSS) PER SHARE	5		
From continuing and discontinued operations:			
Basic		1.651 HK cents	1.385 HK cents
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Diluted		1.651 HK cents	1.384 HK cents
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From continuing operations:			
Basic		(0.133) HK cent	(0.789) 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 2010, 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 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 9	Financial Instruments ³
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²

¹ Effective for annual periods beginning on or after 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 January 2011

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

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; and (iii) 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 Period 2010 (Period 2009: 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 2010 (Period 2009: 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	
	2010	2009
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	53,038	44,485

Number of shares

	(Unaudited)	
	Three months ended	
	30 September	
	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,211,894	3,211,894
Effect of dilutive potential ordinary shares:		
Share options	–	2,265
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,211,894	3,214,159

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	
	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Profit for the period attributable to equity holders of the Company	53,038	44,485
Less: Profit for the period from discontinued operations	57,320	69,817
Loss for the purposes of basic loss per share from continuing operations	(4,282)	(25,332)

The denominator used is the same as those detailed above for basic earnings 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 HK1.785 cents per share (Period 2009: earnings of approximately HK2.173 cent per share) based on the profit for the period from discontinued operations of approximately HK\$57,320,000 (Period 2009: profit of approximately HK\$69,817,000) and the denominators used is the same as those detailed above for basic earnings per share.

Diluted earnings per share for the discontinued operations is approximately HK1.785 cents per share (Period 2009: earnings of approximately HK2.172 cents) based on the profit for the period from discontinued operations of approximately HK\$57,320,000 (Period 2009: profit of approximately HK\$69,817,000) and the denominator used is the same as those detailed above for diluted earnings per share.

6. MOVEMENT OF RESERVES

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share	Capital	Employee	Share	Translation	Special	Accumulated	Discontinued	Total
	premium	redemption	Share-based	options	reserve	reserve	losses	operations	
	reserve	reserve	compensation	reserve	reserve	reserve	losses	operations	Total
	HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	77	-	-	-	77
Net income recognised directly in equity	-	-	-	-	77	-	-	-	77
Profit for the period	-	-	-	-	-	-	53,038	-	53,038
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

6. MOVEMENT OF RESERVES (Continued)

	(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
	HK\$'000	HK\$'000	HK\$'000	reserve	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)	-	2,127,296

7. DISCONTINUED OPERATIONS

By an announcement of the Company issued on 17 September 2010 ("Date of Deconsolidation"), the Directors of the Company announced its intention to dispose of the Group's remaining equity interest in Aptus Holdings Limited ("Aptus") and Aptus has ceased to be an indirect non wholly-owned subsidiary of the Company.

As a result of such, Aptus is considered to be a discontinued operations.

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

	(Unaudited)	
	From 1 July 2010 to Date of Deconsolidation	Three months ended 30 September 2009
	HK\$'000	HK\$'000 (Restated)
Profit for the period from discontinued operations		
Revenue and other revenue	5,667	21,419
Expenses	(10,592)	(36,315)
Impairment of goodwill	–	(96,176)
Loss on investment	(24,886)	–
Gain on deconsolidation of Aptus	87,141	–
Gain on disposal of jointly controlled entities	–	197,707
Profit before taxation	57,330	86,635
Income tax	(10)	(16,818)
Profit for the period from discontinued operations	57,320	69,817

8. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Major Developments in the First Quarter

In order to allow flexibility in effecting future disposals of shares of Aptus Holdings Limited (“Aptus”) at appropriate time(s) and price(s) so as to maximize financial flexibility of the Group, the Company announced on 17 September 2010 that it was seeking shareholders’ approval in advance to allow the Directors to dispose of up to 420,596,428 shares of Aptus (the “Disposal Mandate” and “Disposal Shares” respectively), representing the entire equity interest of the Group in Aptus, for a 12-month period starting from 17 September 2010, the date of the passing of the relevant ordinary resolution by the shareholders, to 16 September 2011. For further details, please refer to the circular issued by the Company on 12 October 2010. As of the date of this report, none of the Disposal Shares have been disposed.

As a result of the above and the fact that the Company have ceased its involvement in Aptus’ affairs, Aptus has ceased to be a subsidiary of the Group with effect on 17 September 2010 and at the same time, its financial results are no longer consolidated with those of the Group. Upon the deconsolidation of Aptus from the Group, a gain of approximately HK\$87,141,000 will be recorded by the Group.

Regarding the convertible bonds issued by Grand Promise International Limited (“GPIL” and “GPIL Bonds” respectively), the Group and the holders have undergone a series of amendments and undertakings in order to give all parties adequate time to reach restructuring terms which are acceptable to all parties. On 29 July 2010, the GPIL Bond previously issued to Liberty Harbor Master Fund I, L.P. was sold to Tarascon Asia Absolute Fund (Cayman) Limited (“Tarascon”). In the latest amendments and/or restatements, the period during which Evolution Master Fund Ltd SPC (“Evolution”) and Tarascon may require redemption of the outstanding principal amounts of the GPIL Bonds have been effectively extended to the period from 13 August 2010 to 30 November 2010. GPIL and the Company provided certain undertakings to Evolution and Tarascon, including payment of step up fees and the issuance of a total of 40,000,000 warrants on 26 August 2010. Meanwhile Evolution and Tarascon both have undertook not to exercise the redemption option during the abovementioned period and will only exercise their redemption rights on 30 November 2010.

Financial Review

For Period 2010 the Group's unaudited consolidated revenue from continuing operations were approximately HK\$30,332,000, which represented an increase of about 35.9% as compared to approximately HK\$22,323,000 for Period 2009. The increase was predominately due to the rapid developments of the Group's Karaoke CMS operations as well as stronger performance from the Group's lottery-related operations.

The revenue from the lottery-related operations increased significantly due to the contribution from the Zhejiang province. Meanwhile, the Karaoke CMS operations has successfully collected copyright fees on behalf of IP owners from karaoke venues in over 26 provinces in the PRC.

The gross profit for Period 2010 increased by about 14.6% to approximately HK\$16,390,000 (Period 2009: approximately HK\$14,302,000). Gross profit ratio decreased to 54.0% for Period 2010 as compared to 64.0% for Period 2009.

For Period 2010, there was a significant increase in the unaudited net profit attributable to equity holders of the Company to approximately HK\$53,038,000 as compared to approximately HK\$44,485,000 recorded for Period 2009. This increase is due predominantly to the recognition of the gain from the previous disposals of the Group's equity interests in Aptus and improvement in performance of the lottery-related business.

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"); and (2) lottery-related businesses in the PRC with the aim to accelerate the growth of the financial position of the Group.

Currently, over 3,200 karaoke venues have been installed with the Karaoke CMS. Karaoke CMS operation already established operational subsidiaries in 30 provinces in the PRC and carrying out royalty/copyright fee settlement operation in 26 provinces.

While China Cultural Development Digital Technology Co., Ltd. (“CCDDT”)(北京中文發數字科技有限公司) continued, increasing the penetration of the royalty/copyright fee settlement and collection operations within the karaoke industry, it and its subsidiaries and jointly controlled entity Excellent Union Communication Group Co., Ltd., (天合文化集團有限公司) (together referred to as the “CCDDT Group”) has also develop VAS software and hardware for provision of services such as in-room spot commercials and in-room welfare lottery tickets sales within karaoke venues operation.

Shenzhen Bozone I.T. Co., Ltd. and its subsidiaries (“Bozone” and “Bozone Group” respectively), the PRC traditional welfare lottery-related operations of the Group, provides services to the Welfare Lottery Centres of Shenzhen, Heilongjiang and Zhejiang. The Bozone Group is undergoing the accreditation process of ISO 27001 certification, which will strengthen the position of Bozone Group in the PRC lottery industry.

Future Outlook and Prospects

While the CCDDT Group have established joint ventures and operations in 30 provinces in the PRC and has begun collecting copyright fees from 26 provinces, this is just the beginning of the realisation of many great opportunities that await the Group in providing solutions and services to the entertainment industry. The provision of VAS to the karaoke operators will help to broaden their revenue streams, thereby, creating more incentives for the karaoke operators to be installed with the Karaoke CMS. With more than 50,000 licensed karaoke venues in the PRC, the potential is significant.

It is also management's intentions to utilize the knowledge, resources and synergies provided by its various operating units, to enhance its existing operations and expand into other potential markets to generate growth and returns for the Group's shareholders.

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 2010, 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	1,939,457,322 (Note 1)	2,070,000 (Note 2)	-	1,941,527,322	60.45%
Chan Tung Mei	Company	-	-	1,941,527,322 (Notes 1 & 2)	1,941,527,322	60.45%
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 1,939,457,322 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 1,939,457,322 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 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2010	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 2010.

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

As at 30 September 2010, 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	Beneficial owner	1,939,457,322	–	60.38%
		(Note 1)		

Note:

- The 1,939,457,322 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 2010, 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 2010 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 2010, 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, 10 November 2010

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.