



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)

third quarterly report
2010/2011

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

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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 and nine months ended 31 March 2011, together with the comparative unaudited figures for the corresponding periods in 2010, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2011

| | Notes | (Unaudited) Three months ended 31 March | | (Unaudited) Nine months ended 31 March | |
|---|-------|---|--------------------------------|--|--------------------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
| CONTINUING OPERATIONS | | | | | |
| Revenue | 2 | 24,974 | 19,333 | 79,025 | 64,562 |
| Cost of sales | | (6,376) | (6,449) | (23,932) | (22,452) |
| Gross profit | | 18,598 | 12,884 | 55,093 | 42,110 |
| Other revenue | | 5,568 | 3,634 | 8,515 | 15,405 |
| Selling and distribution costs | | (3,246) | (2,464) | (10,602) | (7,946) |
| Administrative expenses | | (13,650) | (25,434) | (63,502) | (73,390) |
| Loss on changes in fair value for derivative financial instruments | | – | – | – | (31,646) |
| Finance costs | | (295) | (2,265) | (2,668) | (10,081) |
| PROFIT/(LOSS) BEFORE TAXATION | | 6,975 | (13,645) | (13,164) | (65,548) |
| Income tax expenses | 3 | (790) | (128) | (1,791) | (1,731) |
| PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS | | 6,185 | (13,773) | (14,955) | (67,279) |
| DISCONTINUED OPERATIONS | | | | | |
| Profit/(Loss) for the period from discontinued operations | 7 | – | (14,393) | 40,600 | 44,279 |
| PROFIT/(LOSS) FOR THE PERIOD | | 6,185 | (28,166) | 25,645 | (23,000) |

| | (Unaudited) Three months ended 31 March | | (Unaudited) Nine months ended 31 March | |
|--|---|--------------------------------|--|--------------------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Exchange difference on translation of financial statements of foreign operations | | | | |
| Continuing operations | (1,133) | (63) | 746 | 85 |
| Discontinued operations | - | 159 | - | 462 |
| Release of translation reserve due to disposal of jointly controlled entities | | | | |
| Discontinued operations | - | - | - | (19,990) |
| | (1,133) | 96 | 746 | (19,443) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | | |
| | 5,052 | (28,070) | 26,391 | (42,443) |
| PROFIT/(LOSS) FOR PERIOD ATTRIBUTABLE TO: | | | | |
| Equity holders of the Company | | | | |
| Continuing operations | 3,900 | (8,529) | (16,487) | (100,711) |
| Discontinued operations | - | (14,393) | 40,600 | 44,279 |
| | 3,900 | (22,922) | 24,113 | (56,432) |
| Non-controlling interests | | | | |
| Continuing operations | 2,285 | (5,244) | 1,532 | 33,432 |
| Discontinued operations | - | - | - | - |
| | 2,285 | (5,244) | 1,532 | 33,432 |
| PROFIT/(LOSS) FOR THE PERIOD | | | | |
| | 6,185 | (28,166) | 25,645 | (23,000) |

| Notes | (Unaudited) Three months ended 31 March | | (Unaudited) Nine months ended 31 March | |
|--|---|------------------------|--|------------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | HK\$'000 | HK\$'000 (Restated) | HK\$'000 | HK\$'000 (Restated) |
| Total comprehensive income for the period attributable to: | | | | |
| Equity holders of the Company | | | | |
| Continuing operations | 2,767 | (8,592) | (15,741) | (100,626) |
| Discontinued operations | - | (14,234) | 40,600 | 24,751 |
| | 2,767 | (22,826) | 24,859 | (75,875) |
| Non-controlling interest | | | | |
| Continuing operations | 2,285 | (5,244) | 1,532 | 33,432 |
| Discontinued operations | - | - | - | - |
| | 2,285 | (5,244) | 1,532 | 33,432 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 5,052 | (28,070) | 26,391 | (42,443) |
| EARNINGS/(LOSS) PER SHARE (HK Cents) | 5 | | | |
| From continuing and discontinued operations: | | | | |
| Basic | 0.12 | (0.71) | 0.75 | (1.76) |
| Diluted | 0.12 | N/A | 0.75 | N/A |
| From continuing operations: | | | | |
| Basic | 0.12 | (0.27) | (0.51) | (3.14) |
| Diluted | 0.12 | N/A | N/A | N/A |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2011

1. BASIS OF PREPARATION AND PRINCIPAL 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 2010. 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 2010.

| | |
|--------------------------------|---|
| HKFRSs (Amendments) | Improvements to HKFRSs |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 ¹ |
| 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 & 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 | Distributions of Non-cash Assets to Owners |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers |

¹ Improvements to HKFRSs 2010 in relation to the amendments to HKFRS 2, HKAS 18, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the quarterly consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 7 (Amendment) does not contain any additional disclosure requirements specifically applicable to the quarterly consolidated financial statements.

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The adoption of other new HKFRSs has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

For those HKFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

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; and (ii) provision of lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. and its 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 for the three months and nine months ended 31 March 2011 (three months and nine months ended 31 March 2010: HK\$nil).

Taxation for 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 and nine months ended 31 March 2011 (three months and nine months ended 31 March 2010: HK\$nil).

5. EARNINGS/(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) | | (Unaudited) | |
|---|---------------------------|------------|--------------------------|------------|
| | Three months ended | | Nine months ended | |
| | 31 March | | 31 March | |
| | 2011 | 2010 | 2011 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) |
| <hr/> | | | | |
| Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share | 3,900 | (22,922) | 24,113 | (56,432) |

Number of shares

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|-----------|--------------------------|-----------|
| | Three months ended | | Nine months ended | |
| | 31 March | | 31 March | |
| | 2011 | 2010 | 2011 | 2010 |
| | '000 | '000 | '000 | '000 |
| <hr/> | | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | 3,212,783 | 3,211,894 | 3,212,186 | 3,211,894 |
| Deemed issue of ordinary shares – warrants | 27,909 | – | 12,776 | – |
| <hr/> | | | | |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 3,240,692 | 3,211,894 | 3,224,962 | 3,211,894 |

5. EARNINGS/(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 31 March | | (Unaudited) Nine months ended 31 March | |
|---|---|--------------------------------|--|--------------------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
| Profit/(loss) for the period attributable to equity holders of the Company | 3,900 | (22,922) | 24,113 | (56,432) |
| Less: (Profit)/loss for the period from discontinued operations | – | 14,393 | (40,600) | (44,279) |
| Profit/(loss) for the purposes of basic loss per share from continuing operations | 3,900 | (8,529) | (16,487) | (100,711) |

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

Diluted earnings per share for the continuing operations for the three months ended 31 March 2011 is HK0.12 cent based on the profit of HK\$3,900,000 for the period.

No diluted loss per share has been presented for continuing operations for the nine months ended 31 March 2011, and the three months and nine months ended 31 March 2010 as the outstanding share options, warrants and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in an increase in earnings or a decrease in loss per share.

From discontinued operations

Basic earnings per share for the discontinued operations for the three months and nine months ended 31 March 2011 are HK nil cent and profit of approximately HK1.26 cents respectively (three months and nine months ended 31 March 2010: loss of approximately HK0.45 cent and profit of approximately HK1.38 cents per share respectively) based on the profit of HK\$ nil and HK\$40,600,000 respectively (three months and nine months ended 31 March 2010: loss of approximately HK\$14,393,000 and profit of approximately HK\$44,279,000 respectively).

Diluted earnings per share for the discontinued operations for the three months and nine months ended 31 March 2011 are HK nil cent and profit of approximately HK1.26 cents respectively (nine months ended 31 March 2010: profit of approximately HK1.38 cents) based on the profit of HK\$ nil and HK\$40,600,000 respectively (nine months ended 31 March 2010: profit of approximately HK\$44,279,000).

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

From discontinued operations (Continued)

Denominators used for basic and diluted earnings per shares for discontinued operations are the same as weighted average number of shares calculated for “continuing and discontinued operations” above.

No diluted loss per share has been presented for discontinued operations for the three months ended 31 March 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.

6. MOVEMENT OF RESERVES

| | (Unaudited) | | | | | | | | |
|--|---|--------------------|----------------------------------|----------------------|---------------------|-----------------|--------------------|-------------------------|------------------|
| | Attributable to equity holders of the Company | | | | | | | | |
| | Share premium | Employee | | Share option reserve | Translation reserve | Special reserve | Accumulated losses | Discontinued operations | Total |
| | | redemption reserve | Share-based compensation reserve | | | | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | 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 | - | - | - | - | 746 | - | - | - | 746 |
| Profit/(loss) for the period | - | - | - | - | - | - | (16,487) | 40,600 | 24,113 |
| Total comprehensive income for the period | - | - | - | - | 746 | - | (16,487) | 40,600 | 24,859 |
| Disposal of HK Life | - | - | - | - | - | - | 196,778 | (481,790) | (285,012) |
| Warrants exercised | 790 | - | - | - | - | - | - | - | 790 |
| At 31 March 2011 | 2,156,364 | 234 | 35,572 | 11,092 | 13,407 | (1) | (1,001,577) | - | 1,215,091 |

6. MOVEMENT OF RESERVES (Continued)

| | (Unaudited) | | | | | | | | | Total | |
|---|---|----------------------|----------------------------------|---|----------|----------------------------|------------------------|--------------------|-----------------------|-----------|----------------------------|
| | Attributable to equity holders of the Company | | | | | | | | | | |
| | Share premium | Convertible bonds | Capital redemption reserve | Employee Share-based compensation | | Share option reserve | Translation reserve | Special reserve | Accumulated losses | | Discontinued operations |
| | | 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 | - | - | - | - | - | 547 | - | - | - | 547 | |
| Loss for the period | - | - | - | - | - | - | - | (56,432) | - | (56,432) | |
| Release of convertible bonds reserve | - | (10,712) | - | - | - | - | - | 10,712 | - | - | |
| Release due to disposal of jointly controlled entities | - | - | - | - | - | - | - | - | (19,990) | (19,990) | |
| Total comprehensive income for the period | - | (10,712) | - | - | - | 547 | - | (45,720) | (19,990) | (75,875) | |
| Transfer from share option reserve to accumulated losses due to lapse of share option | - | - | - | - | (190) | - | - | 190 | - | - | |
| At 31 March 2010 | 2,155,574 | - | 234 | 35,572 | 11,092 | 14,861 | (1) | (190,523) | - | 2,026,809 | |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged and focused in two areas: (i) development and operation of the karaoke content management service system (“Karaoke CMS”) and related services, a technological platform that provides services such as the collection of copyright/royalty fees on behalf of intellectual property owners and the provision of value-added services (“VAS”) in karaoke venues in the PRC; and (ii) lottery-related businesses and opportunities in the PRC. For the nine months ended 31 March 2011 (“Period 2011”) the Group recorded total revenue of approximately HK\$79,025,000, an increase of about 22.4% as compared to approximately HK\$64,562,000 for the nine months ended 31 March 2010 (“Period 2010”).

Business Review

Karaoke CMS Operations

Via CCDDT and its subsidiary and jointly controlled entities (together referred to as the “CCDDT Group”)

The Company’s wholly-owned subsidiary Champion Day Holdings Limited entered into two independent acquisition agreements with the vendors of Glory Man Holdings Limited and Sky Wings Holdings Limited respectively on 15 March 2011 to acquire an aggregate 30% effective interest in China Culture Development Co. Ltd., (“CCD”) (「北京中文發文化發展有限公司」), for a total consideration of HK\$240,000,000 (“CCD Acquisition”). The total consideration will be satisfied as to HK\$125,000,000 in cash and as to HK\$115,000,000 by the Company allotting and issuing consideration shares at the issue price of HK\$0.40 per consideration share. The consideration shares will be issued under the specific mandate granted to the directors of the Company at the extraordinary general meeting held on 27 April 2011. CCD is a company incorporated in the PRC and its major asset is its 51% equity interest in China Culture Development Digital Technology Co., Ltd., (“CCDDT”) (「北京中文發數字科技有限公司」). The Group currently holds 9.991% equity interest in CCD and 49% equity interest in CCDDT. Completion of the CCD Acquisition will enable the Group to increase its effective interest in CCDDT from 54.10% to 69.39% thereby allowing the Group to a higher sharing of the profit generated by the CCDDT Group. As of the date of this report, completion of the acquisitions has not taken place. For further details of the acquisitions, please refer to the announcements issued by the Company on 15 March 2011 and 27 April 2011 respectively and the circular dated 31 March 2011 in relation to the specific mandate.

In January 2011, the Supreme People Court, The Supreme People’s Procuratorate of the PRC, the Ministry of Public Security and the Ministry of Justice jointly issued an opinion (the “Opinion”) which categorized infringement of intellectual property rights as criminal offences under section 217 of PRC’s Criminal Law. The Company believes the issue of this Opinion will greatly facilitate its copyright/royalty collection efforts thereby enhancing CCDDT’s business performance.

The copyright fee collection operations of the Karaoke CMS are performed by Excellent Union Communication Group Co., Ltd., (“Excellent Union”)(「天合文化集團有限公司」) and its subsidiaries. As a jointly controlled entity of CCDT, Excellent Union has 32 operational units in the PRC and their copyright fee settlement services are currently generating revenue in 26 provinces.

The Group is also participating in the provision of video-on-demand (“VOD”) equipment for karaoke venues via Chongqing Lightsoft Technology Development Co. Ltd. (“Lightsoft”) (「重慶禮光博軟科技發展有限公司」) a non wholly-owned subsidiary of CCDT. Lightsoft has developed a first-of-its kind VOD equipment (“LS VOD”) that is compatible with VAS such as advertising and lottery sales in karaoke venues and is equipped with touch screen technology. During the period under review, Lightsoft have developed a number of welfare lottery games for the LS VOD. Feedback from the users of the LS VOD have been positive with sales momentum increasing.

At the Group's effort, a number of karaoke venues in Chongqing have began selling welfare lotteries and karaoke patrons responded to this quite well. The Welfare Lottery Centre in Chongqing has also been promoting the lottery sales in karaoke venues under “OK Lottery Bar” (「OK彩吧」) as a new channel for lottery sales.

Lottery-related Operations

Via Bozone Group

The Company's wholly-owned subsidiary Ace Bingo Group Limited entered into the acquisition agreement (“Acquisition Agreement”) with the vendors of Cheerfull Group Holdings Limited (“Cheerfull”) on 15 April 2011 to acquire an aggregate of 49% equity interest in Cheerfull for a total consideration of HK\$27,200,000 (“Cheerfull Acquisition”). The consideration will be satisfied fully in cash. Further, pursuant to the Acquisition Agreement, Shenzhen Bozone I.T. Co. Ltd., (“Bozone”)(「深圳市博眾信息技術有限公司」) agreed to purchase from the vendor of the Shenzhen Longjiang Feng Cai IT Co. Ltd., (“SZLF”)(「深圳市龍江風采信息技術有限公司」) a 1% equity interest in SZLF for a consideration of HK\$300,000 (equivalent to approximately RMB 252,100). Cheerfull holds 100% equity interest in Bozone. The total consideration to be paid translates into a historic (as of 30 June 2010) price earnings ratio of just 2.8 times. Bozone and its subsidiaries (“Bozone Group”) is principally engaged in providing lottery-related services to the Welfare Lottery Centres of Heilongjiang, Zhejiang and Shenzhen. Upon completion of the Cheerfull Acquisition the Group will hold 100% equity interest in Cheerfull. For further details of the acquisitions, please refer to the announcement issued by the Company on 15 April 2011. A circular containing further information of the acquisitions will be dispatched to the shareholders on or before 27 May 2011 together with the notice of the extraordinary general meeting to consider, if thought fit, the approval of the acquisitions.

As a service provider determined to provide its customers with its utmost service, Bozone Group is continuously upgrading its platform (such as the operating platform, data security, system stability and other auxiliary system) to meet the customers' every changing needs. New game development to meet the local provincial tastes is also currently being carried out by the Bozone Group.

Bozone has been accredited with the ISO 27001:2005 certification. ISO27001 is the International Standard for Information Security and it formally specifies a management system that is intended to bring information security under explicit management control.

Financial Review

For Period 2011 the Group's unaudited consolidated revenue from continuing operations were approximately HK\$79,025,000, representing an increase of approximately 22.4% as compared to approximately HK\$64,562,000 for Period 2010. The Karaoke CMS operations accounted for about 35.6% of this revenue while the lottery-related operations accounted for about 58.1%. The business from lottery-related operation continued to achieve significant growth and its revenue was increased by about 32% from Period 2010 to Period 2011.

The gross profit for Period 2011 was approximately HK\$55,093,000, an increased of about 30.8% as compared to approximately HK\$42,110,000 recorded for Period 2010. Gross profit ratio increased to 69.7% for Period 2011 as compared to 65.2% for Period 2010.

Due to the improved financial performance of the lottery-related business, effective control on operating costs and the recognition of gain from the disposal of investment in subsidiary, the unaudited net profit attributable to equity holders of the Company for Period 2011 was approximately HK\$24,113,000 as compared to the net loss of approximately HK\$56,432,000 recorded for Period 2010.

During Period 2011 the Company redeemed GPIL Bonds in the principal amount of US\$2,114,000. The outstanding principal amount of the GPIL Bonds as at 31 March 2011 is US\$925,000.

Future Outlook and Prospects

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

Karaoke CMS operations

As mentioned above, the Opinion was issued which categorized infringement of intellectual property rights as criminal offences under section 217 of PRC's Criminal Law; the Company believes this would have a positive effect on the Karaoke CMS operations. The Group will continue to focus on increasing the penetration in karaoke venues in the PRC for copyright fee collection on behalf of intellectual property owners.

CCDDT Group will also continue to further develop and promote VAS to karaoke venues as this is an area full of potential. Providing VAS to the karaoke operators will help to broaden their revenue streams, thereby, creating more incentive for the karaoke operators to be installed with the Karaoke CMS. Lightsoft will continue to fine-tune the LS VOD to enhance users' experience both in terms of hardware and breadth of VAS provided. Lightsoft will continue to develop games and upgrade the interface to make it even more attractive and easy to use by the karaoke patrons. CCDDT will work with Lightsoft to develop other VAS such as in-room lottery sales, pay-per-play of films, concert and live broadcast of sporting events.

As mentioned above, a number of karaoke venues in Chongqing have begun selling welfare lotteries. The Group targets to increase the number of karaoke venues in Chongqing to participate in the sales of welfare lottery in the second half of this year and have plans to expand into other provinces.

Coupled with the increase in effective shareholdings in CCDDT by the Group to 69.39% upon the completion of the acquisitions of the 30% effective equity interest in CCD, the Group will be able to increase the revenue contribution from the Karaoke CMS operations and thus bring better returns to the shareholders of the Company.

Lottery-related operations

The Company takes the view that the Welfare Lottery in the PRC is still at the expansion stage with huge growth potential. Upon the completion of the acquisition of 49% equity interest in Cheerfull will increase the Group's shareholding in Cheerfull Group from 51% to 100% and would enhance the Group's return from the lottery-related operation. The increase to 100% ownership in Cheerfull will also reinforce the Company's control over the business division and increase flexibility in utilizing various resources and business units within the Group to create further synergy.

Now that the Group will have 100% ownership and control in Bozone Group's operations, the Group will focus on expanding Bozone's services into new territories (both in terms of services being offered and geographically). The Bozone Group will also continue to upgrade its platforms to meet the ever changing needs of the market.

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

As at 31 March 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 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 Exchange, were as follows:

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

| | Company/ name of associated corporation | Number of ordinary shares held | | | Approximate percentage of shareholding | |
|-----------------|--|--|-----------------------|--------------------------------|--|-------------------|
| | | Interest in controlled corporation | Beneficial owner | Family interest | | Total interest |
| Cheung Kwai Lan | Company | 1,823,457,322 (Note 1) | 2,070,000 (Note 2) | - | 1,825,527,322 | 56.75% |
| Chan Tung Mei | Company | - | - | 1,825,527,322 (Notes 1 & 2) | 1,825,527,322 | 56.75% |
| 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:

- The 1,823,457,322 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 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 1,823,457,322 shares by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO.
- 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.
- 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 31 March 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 | |

Save as disclosed herein, as at 31 March 2011, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months and nine months ended 31 March 2011.

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

As at 31 March 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 executives 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 | 1,823,457,322 (Note 1) | – | 56.68% |

Note:

- The 1,823,457,322 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 31 March 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 nine months ended 31 March 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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. Tian He Nian, Mr. Zhang Xiu Fu, 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 nine months ended 31 March 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 nine months ended 31 March 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, 13 May 2011

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, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond.