



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)



Interim Report
2009/2010



*For identification purposes only

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

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

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

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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 and six months ended 31 December 2009, together with the comparative unaudited figures for the corresponding periods in 2008, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2009

	Notes	(Unaudited) Three months ended 31 December 2009		(Unaudited) Six months ended 31 December 2009	
		2008 2009 HK\$'000	2008 2008 HK\$'000	2008 2009 HK\$'000	2008 2008 HK\$'000
			(Restated)		(Restated)
CONTINUING OPERATIONS					
Revenue	2	22,906	17,305	48,302	47,977
Cost of sales		(7,982)	(5,115)	(19,068)	(27,236)
Gross profit		14,924	12,190	29,234	20,741
Other revenue		11,456	2,161	11,787	3,457
Selling and distribution costs		(3,193)	(2,197)	(5,482)	(3,564)
Administrative expenses		(34,796)	(16,655)	(63,620)	(33,816)
Gain on disposal of a subsidiary held by a jointly controlled entity		-	-	-	1,163
Gain on partial disposal of a subsidiary		23,458	-	23,458	-
Gain on deemed disposal of a subsidiary		33,028	-	33,028	-
Loss on changes in fair value for derivative financial instruments		(31,646)	-	(31,646)	-
Impairment loss on goodwill	17	-	-	(96,176)	-
Finance costs		(12,743)	(15,277)	(25,608)	(30,164)
PROFIT/(LOSS) BEFORE TAXATION		488	(19,778)	(125,025)	(42,183)
Income tax expenses	5	(592)	(1,195)	(1,603)	(1,329)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(104)	(20,973)	(126,628)	(43,512)
DISCONTINUED OPERATIONS					
Profit/(loss) for the period from discontinued operations	16	8,273	772	189,148	(2,408)
PROFIT/(LOSS) FOR THE PERIOD		8,169	(20,201)	62,520	(45,920)

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
OTHER COMPREHENSIVE INCOME				
Exchange difference on translation of financial statements of foreign operations				
Continuing operations	317	(1,258)	451	(292)
Discontinued operations	-	(1,184)	-	(121)
Release of translation reserve due to disposal of jointly controlled entities				
Continuing operations	-	-	-	-
Discontinued operations	-	-	(19,990)	-
	317	(2,442)	(19,539)	(413)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
	8,486	(22,643)	42,981	(46,333)
Profit/(loss) for period attributable to:				
Equity holders of the Company				
Continuing operations	(28,914)	(22,206)	(165,304)	(45,395)
Discontinued operations	8,273	772	189,148	(2,408)
	(20,641)	(21,434)	23,844	(47,803)
Non-controlling interests				
Continuing operations	28,810	1,233	38,676	1,883
Discontinued operations	-	-	-	-
	28,810	1,233	38,676	1,883
PROFIT/(LOSS) FOR THE PERIOD	8,169	(20,201)	62,520	(45,920)

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2009	2008	2009	2008
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(Restated)</i>		<i>(Restated)</i>
Total comprehensive income for the period attributable to:				
Equity holders of the Company				
Continuing operations	(28,662)	(23,575)	(164,935)	(45,649)
Discontinued operations	8,273	(412)	169,158	(2,529)
	(20,389)	(23,987)	4,223	(48,178)
Non-controlling interest				
Continuing operations	28,875	1,344	38,758	1,845
Discontinued operations	-	-	-	-
	28,875	1,344	38,758	1,845
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,486	(22,643)	42,981	(46,333)
EARNINGS/(LOSS) PER SHARE	7			
From continuing and discontinued operations:				
Basic	(0.643) HK cent	(0.662) HK cent	0.742 HK cent	(1.481) HK cents
Diluted	N/A	N/A	0.742 HK cent	N/A
From continuing operations:				
Basic	(0.900) HK cent	(0.686) HK cent	(5.147) HK cents	(1.406) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

		(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		51,525	54,670
Goodwill		2,119,796	2,215,971
Other intangible assets		10,655	8,677
Available-for-sale financial asset		63,780	63,780
Deposit and prepayment for an investment		20,550	–
		2,266,306	2,343,098
Current assets			
Inventories		2,369	2,423
Trade and other receivables and prepayments	9	23,414	56,040
Tax recoverable		9	–
Pledged bank deposits		5,125	5,110
Bank balances and cash		528,845	231,195
		559,762	294,768
Assets classified as held for sale		–	350,193
		559,762	644,961
Current liabilities			
Trade and other payables	10	49,618	58,081
Tax liabilities		3,956	1,163
Derivative financial instruments	11(b)	30,238	75,232
Convertible bonds	11(a)	314,050	–
Bank and other borrowings – due within one year		8,377	16,500
		406,239	150,976
Liabilities associated with assets classified as held for sale		–	123,825
		406,239	274,801

		(Unaudited)	(Audited)
		31 December	30 June
		2009	2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Net current assets		153,523	370,160
Total assets less current liabilities		2,419,829	2,713,258
Non-current liabilities			
Bank and other borrowings		–	19,645
Convertible bonds	<i>11(b)</i>	153,062	522,739
		153,062	542,384
Net assets		2,266,767	2,170,874
Capital and reserves			
Share capital	<i>12</i>	32,119	32,119
Reserves		2,106,907	2,102,684
Equity attributable to equity holders of the Company		2,139,026	2,134,803
Non-controlling interest		127,741	36,071
Total equity		2,266,767	2,170,874

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009

	(Unaudited)	
	Six months ended	
	31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(46,818)	72,210
Net cash inflow/(outflow) from investing activities	387,274	(32,100)
Net cash outflow from financing activities	(43,724)	(47,437)
Net increase/(decrease) in cash and cash equivalents	296,732	(7,327)
Cash and cash equivalents at beginning of period	231,195	292,600
Effect of foreign exchange rates changes	918	(311)
Cash and cash equivalents at end of period	528,845	284,962

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Attributable to equity holders of the Company											
	Share Capital	Share premium	Convertible bonds reserve	Capital redemption reserve	Employee Share-based compensation reserve	Share option reserve	Translation reserve	Special reserve	Accumulated losses	Discontinued operations	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2009	32,119	2,155,574	10,712	234	35,572	11,282	14,314	(1)	(144,993)	19,990	36,071	2,170,874
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	-	369	-	-	-	82	451
Profit for the period	-	-	-	-	-	-	-	-	23,844	-	38,676	62,520
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)	-	-	-	369	-	34,556	(19,990)	38,758	42,981
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	80,213	80,213
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	5,727	5,727
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(33,028)	(33,028)
Transfer from share option reserve to accumulated losses due to lapse of share option	-	-	-	-	-	(190)	-	-	190	-	-	-
At 31 December 2009	32,119	2,155,574	-	234	35,572	11,092	14,683	(1)	(110,247)	-	127,741	2,266,767

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Attributable to equity holders of the Company											
	Share Capital	Share premium	Convertible bonds reserve	Capital redemption reserve	Employee Share-based compensation reserve	Share option reserve	Translation reserve	Special reserve	Accumulated losses	Discontinued operations	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2008	32,353	2,166,728	10,712	-	35,572	11,282	35,095	(1)	(44,116)	-	20,686	2,268,311
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	-	(375)	-	-	-	(38)	(413)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(47,803)	-	1,883	(45,920)
Total comprehensive income for the period	-	-	-	-	-	-	(375)	-	(47,803)	-	1,845	(46,333)
Repurchase of shares	(211)	(10,591)	-	211	-	-	-	-	(211)	-	-	(10,802)
Exercise of warrants	-	22	-	-	-	-	-	-	-	-	-	22
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	9,430	9,430
At 31 December 2008	32,142	2,156,159	10,712	211	35,572	11,282	34,720	(1)	(92,130)	-	31,961	2,220,628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. They have been prepared on the historical cost basis except for certain financial investments, which are measured at fair values.

The principal accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2009. 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 2009.

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	Puttable Financial Instruments and Obligations
(Amendments)	Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled
(Amendments)	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 2009 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 interim 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 interim 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; (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; (iv) distribution of natural supplementary products and food related and other operations.

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 31 December 2009:

	Six months ended 31 December 2009									
	Distribution of natural supplementary products (Unaudited) HK\$'000	Provision of lottery-related hardware and software systems (Unaudited) HK\$'000	Distribution of edible oil mineral materials (Unaudited) HK\$'000	Karaoke CMS (Unaudited) HK\$'000	All other segments (Unaudited) HK\$'000	Total continuing operations (Unaudited) HK\$'000	Gas related (Unaudited) HK\$'000	Profit sharing of oilfield (Unaudited) HK\$'000	Total discontinued operations (Unaudited) HK\$'000	Total group (Unaudited) HK\$'000
Revenue (from external customers)	325	23,859	3,073	20,530	515	48,302	18,323	-	18,323	66,625
Operating profit (loss)	(432)	10,185	(4)	(2,386)	(106,780)	(99,417)	1,001	-	1,001	(98,416)
Finance costs	-	-	-	-	(25,608)	(25,608)	(1,015)	-	(1,015)	(26,623)
Gain on disposal of jointly controlled entities	-	-	-	-	-	-	197,707	-	197,707	197,707
Gain on termination of profit sharing arrangement	-	-	-	-	-	-	-	11,031	11,031	11,031
Profit (loss) before income tax	(432)	10,185	(4)	(2,386)	(132,388)	(125,025)	197,693	11,031	208,724	83,699
Income tax expenses	-	(1,583)	-	(20)	-	(1,603)	(16,818)	(2,758)	(19,576)	(21,179)
Profit (loss) for the period	(432)	8,602	(4)	(2,406)	(132,388)	(126,628)	180,875	8,273	189,148	62,520
Capital expenditure	-	2,068	-	1,289	1,114	4,471	-	-	-	4,471
Depreciation	326	5,336	-	1,043	274	6,979	2,041	-	2,041	9,200
Amortization	-	-	-	503	259	762	64	-	64	826
Other non-cash expenses	-	-	-	-	120,650	120,650	-	-	-	120,650

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 31 December 2008 (as restated):

	Six months ended 31 December 2008									
	Distribution of natural supplementary products (Unaudited) HK\$'000	Provision of lottery- related hardware and software systems (Unaudited) HK\$'000	Distribution of edible oil (Unaudited) HK\$'000	Karaoke CMS (Unaudited) HK\$'000	All other segments (Unaudited) HK\$'000	Total continuing operations (Unaudited) HK\$'000	Gas related (Unaudited) HK\$'000	Profit sharing of oilfield (Unaudited) HK\$'000	Total discontinued operations (Unaudited) HK\$'000	Total group (Unaudited) HK\$'000
Revenue (from external customers)	408	19,517	18,292	9,533	227	47,977	46,586	-	46,586	94,563
Operating profit (loss)	(1,184)	6,362	21	(5,178)	(13,203)	(13,182)	350	(225)	125	(13,057)
Finance costs	-	-	(2)	-	(30,162)	(30,164)	(2,650)	-	(2,650)	(32,814)
Gain on disposal of a subsidiary held by a jointly controlled entity	-	-	-	1,163	-	1,163	-	-	-	1,163
Loss on disposal of an associate	-	-	-	-	-	-	(7)	-	(7)	(7)
Share of profit of an associate	-	-	-	-	-	-	124	-	124	124
Profit (loss) before income tax	(1,184)	6,362	19	(4,015)	(43,365)	(42,183)	(2,183)	(225)	(2,408)	(44,591)
Income tax expenses	-	(1,261)	-	(68)	-	(1,329)	-	-	-	(1,329)
Profit (loss) for the period	(1,184)	5,101	19	(4,083)	(43,365)	(43,512)	(2,183)	(225)	(2,408)	(45,920)
Capital expenditure	-	204	-	6,082	59	6,345	27,302	-	27,302	33,647
Depreciation	439	4,221	-	707	7	5,374	9,588	17	9,605	14,979
Amortization	-	512	-	244	-	756	72	-	72	828
Other non-cash expenses	-	-	-	-	28,350	28,350	-	-	-	28,350

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 31 December 2009:

	Distribution of natural supplementary products	Provision of lottery-related hardware and software systems	Distribution of edible oil mineral materials	Karaoke CMS	All other segments	Total continuing operations	Gas related	Profit sharing of oilfield	Total discontinued operations	Total group
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,325	93,552	1,320	71,612	535,463	706,272	-	-	-	706,272
Goodwill	-	-	-	-	2,119,796	2,119,796	-	-	-	2,119,796
Consolidated assets	4,325	93,552	1,320	71,612	2,655,259	2,826,068	-	-	-	2,826,068
Segment liabilities	344	17,903	47	16,979	26,678	61,951	-	-	-	61,951
Convertible bonds	-	-	-	-	497,350	497,350	-	-	-	497,350
Consolidated liabilities	344	17,903	47	16,979	524,028	559,301	-	-	-	559,301

As at 30 June 2009:

	Distribution of natural supplementary products	Provision of lottery-related hardware and software systems	Distribution of edible oil mineral materials	Karaoke CMS	All other segments	Total continuing operations	Gas related	Profit sharing of oilfield	Total discontinued operations	Total group
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	7,581	87,482	1,341	71,252	220,312	387,968	350,193	33,927	384,120	772,088
Goodwill	-	-	-	-	2,215,971	2,215,971	-	-	-	2,215,971
Consolidated assets	7,581	87,482	1,341	71,252	2,436,283	2,603,939	350,193	33,927	384,120	2,988,059
Segment liabilities	386	28,421	122	14,873	51,587	95,389	123,825	-	123,825	219,214
Convertible bonds	-	-	-	-	597,971	597,971	-	-	-	597,971
Consolidated liabilities	386	28,421	122	14,873	649,558	693,360	123,825	-	123,825	817,185

4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	Continuing Operations (Unaudited)		Discontinued operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	3,704	18,911	15,585	34,834	19,289	53,745
Amortisation of technical know-how	-	732	-	-	-	732
Depreciation of property, plant and equipment	6,979	5,374	2,041	9,605	9,020	14,979
Interest on borrowings	1,135	1,813	1,015	2,650	2,150	4,463
Interest on convertible bonds	24,474	28,350	-	-	24,474	28,350
Interest income	(5,005)	(2,760)	-	-	(5,005)	(2,760)

Included in the depreciation of approximately HK\$2,041,000 (2008: approximately HK\$9,605,000) under discontinued operations was an amount of approximately HK\$1,885,000 (2008: approximately HK\$5,808,000) capitalised in inventories and transferred to cost of inventories sold during the six months ended 31 December 2009. The amount of approximately HK\$1,885,000 (2008: approximately HK\$5,808,000) was also included in cost of inventories sold of approximately HK\$15,585,000 for the six months ended 31 December 2009 (2008: approximately HK\$34,834,000).

5. 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 six months ended 31 December 2009 (three months and six months ended 31 December 2008: HK\$nil).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the three months and six months ended 31 December 2009 (three months and six months ended 31 December 2008: HK\$nil).

7. 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)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	(20,641)	(21,434)	23,844	(47,803)

Number of shares

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2009	2008	2009	2008
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	3,211,894	3,238,464	3,211,894	3,228,504
Effect of dilutive potential ordinary shares:				
Share options	2,512	2,048	2,378	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,214,406	3,240,512	3,214,272	N/A

No diluted loss per share has been presented for continuing and discontinued operations for the three months ended 31 December 2009 and for the three months and six months ended 31 December 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.

7. 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		(Unaudited) Six months ended	
	31 December 2009 HK\$'000	2008 HK\$'000	31 December 2009 HK\$'000	2008 HK\$'000
Profit/(loss) for the period attributable to equity holders of the Company	(20,641)	(21,434)	23,844	(47,803)
Less: Profit/(loss) for the period from discontinued operations	8,273	772	189,148	(2,408)
Loss for the purposes of basic loss per share from continuing operations	(28,914)	(22,206)	(165,304)	(45,395)

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 for the three months and six months ended 31 December 2009 are approximately HK0.258 cent and HK5.889 cents per share respectively (three months and six months ended 31 December 2008: profit of approximately HK0.024 cent and loss of approximately HK0.075 cent per share respectively) based on the profit for the period from discontinued operations of approximately HK\$8,273,000 and HK\$189,148,000 respectively (three months and six months ended 31 December 2008: profit of approximately HK\$772,000 and loss of approximately HK\$2,408,000 respectively) and the denominators used are the same as those detailed above earnings/(loss) per share.

Diluted earning per share for the discontinued operations for the three months and six months ended 31 December 2009, and three months ended 31 December 2008 are approximately HK0.257 cent and HK5.885 cents and HK0.024 cent per share respectively based on the profit for the three months and six months ended 31 December 2009, and three months ended 31 December 2008 from discontinued operations of approximately HK\$8,273,000, HK\$189,148,000 and HK\$772,000 respectively and the denominators used are the same as those detailed above earnings/(loss) per share. No diluted loss per share has been presented for discontinued operations for the six months ended 31 December 2008, as the outstanding share options, warrants and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2009, the Group acquired items of plant and machinery with a cost of approximately HK\$4,471,000 (six months ended 31 December 2008: approximately HK\$33,647,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2009 (six months ended 31 December 2008: approximately HK\$527,000, resulting a loss on disposal of approximately HK\$12,000).

9. TRADE RECEIVABLES

Payment terms with customer are mainly on credit. Invoices are normally payable within 180 days of issuance.

An aged analysis of the Group's trade receivables at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
0 to 30 days	5,781	5,061
31 to 60 days	177	737
61 to 365 days	1,157	3,298
Over 1 year	360	764
	7,475	9,860

10. TRADE PAYABLES

An aged analysis of the Group's trade payables at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
0 to 30 days	10,912	76
31 to 120 days	28	3,776
121 to 180 days	–	9,358
181 to 365 days	–	105
Over 1 year	–	–
	10,940	13,315

11. CONVERTIBLE BONDS

- (a) On 22 November 2006, the Company's indirect non-wholly-owned subsidiary, Aptus Holdings Limited ("Aptus"), issued convertible bonds due on 21 November 2011 with a principal amount of HK\$234,000,000, which is interest-bearing at 5% per annum from and including 21 May 2008 (the "Bond(s)").

On 23 October 2008, Aptus, The Bank of New York Mellon (formerly known as The Bank of New York) (the "Trustee") and BNY Corporate Trustee Services Limited (the "Security Trustee") entered into the Amendment Deed pursuant to which the parties agreed to amend the terms and conditions of the Bonds set out in Schedule 1 to the trust deed, which was entered into by Aptus, Trustee and the Security Trustee dated 22 November 2006 ("Trust Deed"). The principal amendment of the Amendment Deed is to replace the first Put Option Date of 21 November 2008 with 21 February 2009.

11. CONVERTIBLE BONDS (Continued)

(a) (Continued)

On 30 December 2008, Aptus, the Trustee and the Security Trustee entered into the Second Amendment Deed pursuant to which the parties agreed to further amend the terms of the Trust Deed and the conditions of the Bond(s) including but not limited to, permitting Aptus to dispose of the pledged assets for the purpose of redeeming the outstanding Bond(s) provided that sufficient funds to redeem the Bond(s) and pay related fees and expenses are held in escrow; limiting the Bondholder(s)' rights to convert the Bonds during the period ending 21 November 2009; revising the Conversion Price to HK\$0.5756 and the Minimum Reset Reference Price to HK\$0.4029. An extraordinary general meeting, seeking approval of Aptus' shareholders of the Specific Mandate to authorise Aptus' Directors to issue and allot up to a maximum of 580,789,278 new Aptus' shares upon conversion of the Amended Bonds, was held on 16 February 2009 and the approval was obtained in the meeting.

On 16 November 2009, the Third Amendment Deed was entered into, pursuant to which amendments were made to the terms of the Bond(s) relating to the timing of the right of the Bondholder(s) to require full or partial redemption of the Bond(s) to the effect that the Bondholder(s) now may require redemption of all or some only of the Bond(s) at their Early Redemption Amount together with interest accrued to the Put Option Date on (i) any date during the period from 21 November 2009 to 14 January 2010 (both dates inclusive) (the "Period"); (ii) 15 January 2010; and (iii) 21 November 2010, provided that in the case of a Put Option Date during the Period, the Redemption Amount (Please refer to the joint announcement of Aptus and the Company dated 16 November 2009 for definition) shall have been converted from RMB into HK\$ and received by Aptus in full in freely disposable cleared funds in Hong Kong and is available to redeem the Bond(s). Amendment has also been made to the requisite notice period for Aptus to require full redemption of the Bond(s) on or at any time after 21 November 2008 and prior to 11 November 2011 so that "not less than five business days' notice" is required.

On the same day, Aptus and Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution") have entered into a deed of undertaking (the "November Deed"). Pursuant to the November Deed, (i) Evolution confirms and undertakes to Aptus that it will not exercise its conversion right under the Bond(s); (ii) Aptus confirms and undertakes to Evolution that after the Redemption Amount has been converted from RMB into HK\$ and received by Aptus in full in freely disposable cleared funds in Hong Kong and is available for payment to redeem the Bond(s), it will notify Evolution as soon as possible and the Redemption Amount will be applied to redeem the Bond(s).

For details of the amendments of the Bonds, please refer to the joint announcements of Aptus and the Company dated 23 October 2008, 7 January 2009 and 16 November 2009 and Aptus' circular dated 21 January 2009.

On 8 January 2010, Evolution issued a put notice requiring full redemption of the Bond(s). Please refer to note 19(iii) – Subsequent Events for further details.

11. CONVERTIBLE BONDS (Continued)

(a) (Continued)

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 150.15% of their principal amount on 21 November 2011.

The fair value of the liability component of the convertible bonds is estimated by computing the present value of all future cash flow discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds. The residual amount, representing the value of the equity component, is credited to Aptus' reserve account.

The convertible bonds have been split between the liability and equity components as follows:

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
Nominal value of convertible bonds issued	234,000	234,000
Equity component	(10,712)*	(10,712)
Liability component at the issuance date	223,288	223,288
Imputed finance cost	102,462	85,806
Interest paid	(11,700)	(5,850)
Liability component as at the balance sheet date	314,050 <i>(Note 1)</i>	303,244 <i>(Note 2)</i>

* The convertible bonds reserve has been released and transferred back to accumulated losses due to the November Deed.

Note 1: Recorded in current liabilities.

Note 2: Recorded in non-current liabilities.

(b) The Company adhered the convertible bonds issued by its wholly-owned subsidiary, Grand Promise International Limited ("Grand Promise") on 11 April 2008 with a principal amount of US\$35 million. The convertible bonds are denominated in United State dollars. The convertible bonds holders are entitled to convert the convertible bonds into ordinary shares of the Company at a conversion price of HK\$0.8 per each ordinary share. If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 141.06% of the outstanding principal amount of the convertible bonds.

11. CONVERTIBLE BONDS (Continued)

(b) (Continued)

The convertible bonds contain two components: liability component and conversion option derivative. The effective interest rate of the liability component is 16.38%. The conversion option derivative is measured at fair value with changes in fair value recognised in profit and loss.

On 17 June 2009, 15 July 2009, 4 August 2009, 28 August 2009, 14 September 2009, 22 September 2009, 29 September 2009, 30 October 2009 and 13 January 2010 respectively, the Company and Grand Promise have entered into various agreements with the Grand Promise convertible bondholders to allow all the parties more time to continue the negotiation on the restructuring and/or repayment of all amounts outstanding. The Company and Grand Promise have successfully redeemed the Grand Promise convertible bonds partially, reducing the aggregate outstanding principal amounts together with interest accrued from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$145,767,000 as of 13 January 2010.

The movement of the liability component and conversion option derivative of the convertible bonds for the period is set out as below:

	(Unaudited) Conversion option derivative component <i>HK\$'000</i>	(Unaudited) Liability component <i>HK\$'000</i>
At 1 July 2009	75,232	219,495
Imputed finance cost	–	7,817
Changes of fair value	31,646	–
Redemption of the convertible bonds partially	(76,640)	(74,250)
At 31 December 2009	30,238 <i>(Note 1)</i>	153,062 <i>(Note 2)</i>

Note 1: Recorded in current liabilities as derivative financial instruments.

Note 2: Recorded as non-current liabilities (30 June 2009: HK\$522,739,000).

12. SHARE CAPITAL

	(Unaudited)	(Audited)
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
<hr/>		
<i>Authorised:</i>		
20,000,000,000 (30 June 2009: 20,000,000,000)		
ordinary shares of HK\$0.01 each	200,000	200,000
<hr/>		
<i>Issued and fully paid:</i>		
3,211,893,839 (30 June 2009: 3,211,893,839)		
ordinary shares of HK\$0.01 each	32,119	32,119
<hr/>		

Share options

The Company operates the share option scheme, details of the share option scheme of the Company are set out in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation". At 31 December 2009, the Company had outstanding share options entitling the holders to subscribe for 83,050,000 shares in the Company.

13. PLEDGE OF ASSETS

As at 31 December 2009, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of Grand Promise International Limited ("Grand Promise")) together with all proceeds in favor of the holder(s) of the convertible bonds previously issued by Grand Promise; and by the Deeds of Adherence on completion of acquisition of Grand Promise in April 2008, the convertible bonds were taken up by the Company.

At 31 December 2009, the Group has pledged its bank deposits of approximately HK\$5,125,000 (30 June 2009: approximately HK\$5,110,000) as security for the general banking facilities granted to the Group. As at 31 December 2009, the 100% of the issued share capital of Good United Management Limited ("GUM"), a subsidiary of the Company, was pledged in favors of the holder(s) of the convertible bonds issued by Aptus on 22 November 2006.

In addition, there was borrowings of approximately HK\$59,907,000, which was classified as liabilities associated with asset classified as held for sale as at 30 June 2009, has been secured by gas network of a jointly controlled entity, Hunan Huayou Natural Gas Transportation & Distribution Company Limited ("Hunan Joint Venture") but there was HK\$nil borrowings as at 31 December 2009 due to the disposal of Hunan Joint Venture.

14. OPERATING LEASES COMMITMENTS

The Group as lessee

At 31 December 2009, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

Continuing operations

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
Within one year	4,024	4,323
In the second to fifth year inclusive	6,874	2,290
	10,898	6,613

Discontinued operations

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
Within one year	–	10
In the second to fifth year inclusive	–	14
Over five years	–	3
	–	27

Operating lease payments represent rentals payable by the Group for certain of its office properties.

The Group as lessor

At 31 December 2009, the Group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

Discontinued operations

	(Unaudited) 31 December 2009 HK\$'000	(Audited) 30 June 2009 HK\$'000
Within one year	–	520
In the second to fifth year inclusive	–	1,631
Over five years	–	2,106
	–	4,257

Leases are negotiated for an average term of 2 to 10 years.

15. CAPITAL COMMITMENTS

	(Unaudited)	(Audited)
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Capital expenditure in respect of the investment in a subsidiary		
– authorised but not contracted for	44,185	44,137

16. 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.

16. DISCONTINUED OPERATIONS (Continued)

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

	(Unaudited)	
	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
Profit/(loss) for the period from discontinued operations		
Revenue and other revenue	18,346	47,245
Share of results of an associate	–	124
Expenses	(18,360)	(49,777)
Gain on disposal of jointly controlled entities	197,707	–
Gain on termination of profit sharing rights	11,031	–
Profit/(loss) before taxation	208,724	(2,408)
Income tax	(19,576)	–
Profit/(loss) for the period from discontinued operations	189,148	(2,408)
Operating cashflows	4,265	12,955
Investing cashflows	44,261	(14,704)
Financing cashflows	(2,818)	(2,900)
Net increase/(decrease) in cashflows	45,708	(4,649)

17. IMPAIRMENT LOSS ON GOODWILL

The impairment loss on goodwill was related to the Company's acquisition of shares in Aptus in 2006 at market prices which were above Aptus' net asset value at the time. The Aptus share acquisitions were made on the basis that the Company was positive regarding the business outlook for Aptus after the latter's expansion into the oil and gas related businesses. However, since Aptus had disposed of and terminated its interests in the oil and gas related businesses, this resulted in the basis of the share purchases no longer being valid and thus this crystallised an impairment loss on goodwill of approximately HK\$96,176,000.

18. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the three months and six months ended 31 December 2009 was as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	4,831	3,464	9,661	6,927
Post-employment benefits	30	24	60	48
	4,861	3,488	9,721	6,975

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

19. SUBSEQUENT EVENTS

- (i) On 16 December 2009, the Group entered into a placing agreement in placing 200,000,000 shares in Aptus Holdings Limited at the price of HK\$0.25 per share. The placing was lapsed on 31 January 2010.
- (ii) On 30 December 2009, the Group signed a sale and purchase agreement in disposing a leasehold property in the PRC at a consideration of RMB7,500,000 (approximately HK\$8,519,000). The transaction was completed in January 2010.
- (iii) On 8 January 2010, Evolution issued a put exercise notice to Aptus requiring full redemption of the Bond(s) in the outstanding principal amount of HK\$234,000,000 by 15 January 2010. All parties are proceeding on the basis that the outstanding amounts payable must be paid by 15 January 2010 or within a thirty days grace period and that no event of default will occur unless due payment is not made by 14 February 2010 and the Trustee serves notice of an event of default after that date. Aptus believes that it has sufficient internal resources to retire all outstanding principal and accrued but unpaid interest and intends to redeem the Bond(s).

20. SEASONALITY

The Group considers that the revenues from (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; (ii) provision of lottery-related businesses in the PRC; (iii) trading business; (iv) distribution of natural supplementary products and food related and other operations are not subject to material seasonal fluctuations.

21. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Major developments

On 17 June 2009, 15 July 2009, 4 August 2009, 28 August 2009, 14 September 2009, 22 September 2009, 29 September 2009, 30 October 2009 and 13 January 2010 respectively, China Vanguard Group Limited (“the Company”) and its wholly-owned subsidiary Grand Promise International Company Limited (“Grand Promise”) have entered into various agreements with the Grand Promise convertible bondholders to allow all the parties more time to continue the negotiation on the restructuring and/or repayment of all amounts outstanding. The Company and Grand Promise have successfully redeemed the Grand Promise convertible bonds partially, reducing the aggregate outstanding principal amounts together with interest accrued from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$145,767,000 as of 13 January 2010.

With regards to the convertible bonds issued by Aptus Holdings Limited (“Aptus” and “Aptus Bonds” respectively), during the period under review, Aptus entered into (i) the third amendment deed dated 16 November 2009 and (ii) a deed of undertaking dated 16 November 2009. In effect, the amendment deed and the undertaking make certain that once Aptus receives the considerations from the disposals of the natural gas joint ventures (“Natural Gas Joint Ventures”) in cleared HK\$, it will use it to redeem the Aptus Bonds on the put option date and that the Aptus bondholders undertook not to exercise its conversion rights.

During the period under review, Precise Result Profits Limited (“Precise Result”), an indirect wholly-owned subsidiary of the Company and the beneficial owner of the shares of Aptus, have entered into 2 placing agreements with placing agents to place on a best effort basis to independent placees, up to an aggregate total of 320,000,000 shares of Aptus at HK\$0.25 each. As announced by the Company on 16 December 2009, Precise Result has completed the placing of 120,000,000 shares of Aptus for total gross proceeds of approximately HK\$30,000,000. The proceeds were used to redeem outstanding debts of the Company and for general working capital purposes. The placing of 200,000,000 shares in Aptus was lapsed and none of the placing shares had been placed on 31 January 2010. For details of the placing, please refer to the announcements of the Company dated 16 December 2009 and 1 February 2010 respectively.

On 2 November 2009, Aptus also entered into a placing agreement with a placing agent to place up to a maximum of 160,000,000 new shares of Aptus at a price of HK\$0.25 each to raise gross proceeds of HK\$40,000,000. This placement was completed on 10 December 2009. Please refer to the announcements issued by Aptus on 2 November 2009 and 10 December 2009 respectively for further details. In addition to the placement of new shares, Aptus also entered into subscription agreements to capitalize two of its existing loans for an aggregate amount of HK\$38,750,000 for 122,160,000 new shares of Aptus. The subscriptions of shares were completed on 16 December 2009, for further details please refer to the announcement issued by Aptus on that date.

As a result of the various placements and subscription of shares in Aptus, the Company's indirect interest in Aptus has been diluted to approximately 41.27% (as at 31 December 2009) from 54.55% (as at 1 December 2009). Aptus will continue to be an indirect non wholly-owned subsidiary of the Company as the Company still has the power to govern the financial and operating policies of Aptus. Should the Company lose its control (due to the fact that the Company cannot appoint the majority board seats in Aptus) to govern the financial and operating policies of Aptus, Aptus will cease to be an indirect non wholly-owned subsidiary of the Company.

Aside from working to raise financing to reduce the Group's outstanding debts, the Group also directed its resources on expanding the operations. The 49%-owned China Culture Development Digital Technology Co., Ltd. ("CCDDT") (北京中文發數字科技有限公司) continued to demonstrate steady progress in installing the set-top boxes in karaoke venues while the collection of copyright fees are gaining momentum. An addition of over 500 karaoke venues have been installed with the karaoke content management service system ("Karaoke CMS")(卡拉OK內容管理服務系統) during the period from October to December 2009, bringing the total number of karaoke venues with the Karaoke CMS installed to over 2,700 in 30 provinces in the PRC. In addition to providing license fees transaction services for karaoke programs between IP owners and karaoke venues via the Karaoke CMS, CCDDT also provides value added services to karaoke venues via 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"), is the copyright fee settlement and collection arm of CCDDT, has established operational subsidiaries in 30 provinces in the PRC and collected copyright fees in 23 provinces. Further to this, the CCDDT Group commenced pilot testing of value added services in Chongqing the PRC and received positive feedback from karaoke venues and the patrons.

On 30 October 2009, Aptus entered into a non-legally binding memorandum of understanding with Red Rabbit Capital Limited ("Red Rabbit") 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 that provide lawful storage spaces as ancestral halls for private worship of the deceased ancestors by their descendants or a common ancestor or the members of a private institute or corporation in Hong Kong. On 20 November 2009, a wholly-owned subsidiary of Aptus entered into the sale and purchase agreement to conditionally acquire from Red Rabbit the entire issued share capital of Casdon for a total consideration of HK\$1,775,000,000. For further details, please refer to the announcement issued by Aptus on 30 October 2009, the joint announcements issued by the Company and Aptus on 1 December 2009, 21 December 2009 and 31 December 2009 respectively.

On 11 September 2009 and 18 November 2009 respectively, Aptus and the Company jointly announced the completion of the disposals of the Natural Gas Joint Ventures (for a total consideration of approximately RMB355,144,000 (approximately HK\$402,984,000)), as well as 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)) coming into effect. For further details, please refer to the joint announcement issued by the Company and Aptus dated 11 September 2009 and 18 November 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 six months ended 31 December 2009 ("Period 2009") have been classified as discontinued operations and the comparative figures for the six months ended 31 December 2008 ("Period 2008") have been restated accordingly.

For Period 2009 the Group's unaudited consolidated revenue from continuing operations were approximately HK\$48,302,000, which represented an increase of approximately 0.7% as compared to approximately HK\$47,977,000 for Period 2008. The slight increase was due to the net effect of decline in turnover from Aptus' Singaporean subsidiary which carries on trading business and by the rapid developments of CCDT Group as well as by a stronger performance from the Group's lottery-related 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 approximately 22.2%, to approximately HK\$23,859,000 in Period 2009 from approximately HK\$19,517,000 in Period 2008 mainly due to the contribution from the Zhejiang province. Meanwhile, CCDDT Group has successfully collected copyright fees on behalf of IP owners from karaoke venues in over 23 provinces in the PRC, contributed approximately HK\$20,530,000 of service fee income for the Group, an increase of approximately 115.4% as compared to approximately HK\$9,533,000 recorded for Period 2008.

The gross profit for Period 2009 increased by approximately 40.9% to approximately HK\$29,234,000 (Period 2008: approximately HK\$20,741,000). The contribution of gross profit from the principal operating units are as follow: (i) Karaoke CMS operations contributed approximately HK\$7,426,000; and (ii) the lottery-related operations contributed approximately HK\$21,599,000. Gross profit ratio increased to approximately 60.5% for Period 2009 as compared to approximately 43.2% for Period 2008. Gross profit ratio increased due to the fact that the gross profit ratio from Karaoke CMS and lottery-related operation is considerably wider than that of the trading operation. The turnover from Aptus' trading business of approximately HK\$18,292,000 in Period 2008 lowered the overall gross profit ratio of the Group in Period 2008.

For the six months ended 31 December 2009, the profits before non-controlling interests was approximately HK\$62,520,000 (Period 2008: approximately loss of HK\$45,920,000). The bulk of the earnings turnaround of approximately HK\$108,440,000 was mainly attributable to the net effect of (i) an increase in profit before taxation from discontinued operations from a loss of approximately HK\$2,408,000 in Period 2008 to approximately HK\$208,724,000 in Period 2009 from disposal of jointly controlled entities; (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 loss on changes in fair value for convertible bonds from HK\$nil in Period 2008 to approximately HK\$31,646,000 in Period 2009; (v) a decrease in finance cost from approximately HK\$32,814,000 in Period 2008 to approximately HK\$26,623,000 in Period 2009 mainly due to the repayment of part of the Grand Promise convertible bonds in July 2009 and December 2009; (vi) an increase in arrangement fee of convertible bonds from HK\$nil in Period 2008 to approximately HK\$9,172,000 in Period 2009 for the extension of Grand Promise convertible bonds; (vii) an increase in legal and professional fee from approximately HK\$1,325,000 in Period 2008 to approximately HK\$11,656,000 in Period 2009 due to a series of amendments on Aptus Bonds and Grand Promise convertible bonds,

the possible acquisition of the entire issued share capital of Casdon and a series of placing activities; (viii) an increase in gain on partial disposal of Aptus from HK\$nil in Period 2008 to approximately HK\$23,458,000 in Period 2009. (ix) an increase in gain on deemed disposal of Aptus from HK\$nil in Period 2008 to approximately HK\$33,028,000 in Period 2009. (x) an increase in tax expenses from approximately HK\$1,329,000 in Period 2008 to approximately HK\$21,729,000 in Period 2009 due to the tax payable on the gain on disposal of jointly controlled entities and gain on termination of profit sharing right on Xin Jiang Oilfield by Aptus and (xi) ceased of absorption of operating expenses from the discontinued operations upon completion of the disposal of jointly controlled entities.

Financial resources and liquidity

As at 31 December 2009, the Group had cash and bank balances of approximately HK\$533,970,000 (30 June 2009: approximately HK\$236,305,000, excluding assets classified as held for sale). Net asset value per share was approximately HK\$0.71 (30 June 2009: approximately HK\$0.61, excluding assets and liabilities classified as held for sale), and current assets stood at approximately HK\$559,762,000 (30 June 2009: approximately HK\$294,768,000, excluding assets classified as held for sale). The gearing ratio was approximately 17.92% as at 31 December 2009 (30 June 2009: approximately 7.76%). The increase in gearing ratio is due to the re-classification of convertible bonds of Aptus from non-current liabilities to current liabilities. Gearing ratio is calculated as current liabilities excluding liabilities classified as held for sale divided by total equity excluding assets and liabilities classified as held for sale.

Exposure to fluctuations in exchange rates and any related hedges

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and US dollars borrowings. As the exchange rate of RMB against Hong Kong dollars is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

Capital structure

During the six months ended 31 December 2009, there was no material change in the capital structure of the Group.

Charges on the Group assets

As at 31 December 2009, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of Grand Promise) together with all proceeds in favor of the holder(s) of the convertible bonds previously issued by Grand Promise; and by the Deeds of Adherence on completion of acquisition of Grand Promise in April 2008, the convertible bonds were taken up by the Company.

At 31 December 2009, the Group has pledged its bank deposits of approximately HK\$5,125,000 (30 June 2009: approximately HK\$5,110,000) as security for the general banking facilities granted to the Group. As at 31 December 2009, the 100% of the issued share capital of Good United Management Limited (“GUM”), a subsidiary of the Company, was pledged in favors of the holder(s) of the convertible bonds issued by Aptus on 22 November 2006.

In addition, there were borrowings of approximately HK\$59,907,000, which was classified as liabilities associated with asset classified as held for sale as at 30 June 2009, has been secured by gas network of a jointly controlled entity, Hunan Huayou Natural Gas Transportation & Distribution Company Limited (“Hunan Joint Venture”) but there were HK\$nil borrowings as at 31 December 2009 due to the disposal of Hunan Joint Venture.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2009 (30 June 2009: Nil).

Commitments

The Group had capital commitments of approximately HK\$44,185,000 and operating leases commitments as lessee of approximately HK\$10,898,000 from continuing operations as at 31 December 2009 (30 June 2009: approximately HK\$44,137,000 and approximately HK\$6,613,000 respectively).

Significant investments, acquisitions and disposal

The Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December 2009 except the following:

In September 2009, the Group had completed the disposal by Aptus of the 48.33% interest in Changde Huayou Gas Co. Limited and 33% interest in Hunan Huayou Natural Gas Transportation and Distribution Co., Limited.

On 20 November 2009, a wholly-owned subsidiary of Aptus has entered into a sale and purchase agreement to acquire Casdon, which is principally engaged in the operation and management of certain properties that provide lawful storage spaces as ancestral hall for private worship of the deceased ancestors by their descendants or a common ancestor or the members of a private institute or corporation in Hong Kong. The Aptus shareholders' meeting is yet to be held to approve the acquisition as of the date of this report.

On 10 December 2009, Aptus had completed a placing of 160,000,000 new shares of Aptus at HK\$0.25 per share. On 16 December 2009, Aptus had also completed the loan capitalisation, pursuant to which Aptus allotted and issued 122,160,000 shares to the allottees at the price of HK\$0.3172 per subscription share. As a result of the Group's deemed disposal of approximately 4.5% and 2.8% of its interest in Aptus on 10 December 2009 and 16 December 2009 respectively, the Group recorded a total gain on deemed disposal of approximately HK\$33,028,000.

In addition, the Group has completed the placing of 54,080,000 and 65,920,000 shares of Aptus on 15 December 2009 and 16 December 2009 respectively, giving rise from holding 971,746,428 Aptus shares to 851,746,428 Aptus shares, holding of 41.27% of Aptus as at 31 December 2009. As a result of the Group's partial disposal of its interest in Aptus, the Group recorded a gain on partial disposal of approximately HK\$23,458,000. Aptus is still an indirect non-wholly owned subsidiary of the Group.

Employees

The Group, including jointly controlled entities, employed 688 employees as at 31 December 2009 (30 June 2009: 794). Employees' remuneration is in line with market conditions, working experience and performance. In addition to basic salaries and provident fund contributions, the Group also offers medical benefit and training programs.

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; (2) lottery-related businesses in PRC; (3) distribution of natural supplementary products and food related and other operations; and (4) trading business, with the aim to accelerate the growth of the overall financial position of the Group.

As mentioned previously, the installation of the Karaoke CMS has been rolled out to nearly all provinces in the PRC with over 2,700 karaoke venues connected while copyright fees collection is being collected in 23 provinces. Further to this, the provision of value added services to karaoke venue by the CCDDT Group in order to enrich the entertainment and services varieties to karaoke goers and increasing the revenues for

the karaoke venues have continued to record significant progress in Chongqing, where the software and hardware of value added service related systems have been tested within Chongqing's pilot karaoke venues. Feedback from both venues and patrons in Chongqing has been very positive. The value added service provided to karaoke venues included lottery sales and spot advertising. In addition, the expandability and flexibility of the Karaoke CMS allows the systems to support additional types of value added service in the future.

Shenzhen Bozone IT Co., Ltd., ("Bozone", a PRC subsidiary of the Group) and its subsidiaries ("Bozone Group"), our PRC traditional welfare lottery-related operations, continue to rank as the third largest lottery solution and transaction system related service provider to the welfare lottery in the PRC. It is currently servicing over 13,000 points of sales terminals for the Welfare Lottery Centers and its service coverage include 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 in Hong Kong under the brand name B&B and these products 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 and continued to explore for new trading business opportunities during the Period 2009. Meanwhile, a wholly-owned subsidiary of Aptus has entered into an agreement to conditionally acquire from the entire issued share capital of Casdon for a total consideration of HK\$1,775,000,000. For further details, please refer to the announcement issued by Aptus on 30 October 2009, the joint announcements issued by the Company and Aptus on 1 December 2009, 21 December 2009 and 31 December 2009 respectively.

With regards to the Aptus Bonds, as mentioned above, Aptus entered into (i) the third amendment deed dated 16 November 2009 and (ii) a deed of undertaking dated 16 November 2009. In effect, the amendment deed and the undertaking make certain that once Aptus receives the considerations from the disposals of the Natural Gas Joint Ventures in cleared HK\$, it will use it to redeem the Aptus Bonds on the put option date and that the Aptus bondholders undertook not to exercise its conversion rights. Further, on 8 January 2010 Aptus received a put exercise notice from the bondholders requiring for full redemption of the Aptus Bonds in the outstanding principal amount of HK\$234,000,000 by 15 January 2010. The outstanding payable amounts must be paid by 15 January 2010, or within a thirty days grace period and that no event of default will occur unless due payment is not made by 14 February 2010 and the trustee of Aptus Bonds serves notice of an event of default after 14 February 2010. It is Aptus' intention, using its internal resources, to retire all outstanding principal and accrued but unpaid interest.

The Company and Grand Promise have entered into various agreements with the Grand Promise convertible bond holders to allow all the parties more time to continue the negotiation on the restructuring and/or repayment of all amounts outstanding. The Company and Grand Promise have successfully redeemed the Grand Promise convertible bonds partially, reducing the aggregate outstanding principal amounts together with interest accrued from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$145,767,000 as of 13 January 2010. The latest amendment deeds and restatement agreement entered into on 13 January 2010 will provide more time for the Company and Grand Promise to seek financing to redeem the remaining outstanding amount of the bonds.

Future Outlook and Prospects

The PRC's cultural industry is one of the industries that are strongly supported by the PRC government. This backdrop bodes well for the development and growth the entertainment 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 we can build on and to also participate and contribute to the strong growth in PRC's cultural industry.

The Company and CCDDT Group will continue to complete the nationwide coverage and increase the penetration in provision of license fee collection and value added services to karaoke venues in each jurisdiction of the PRC. In addition, the commercializing the value added services for the Karaoke CMS in the future will allow the CCDDT Group to capitalize on this business opportunities and bolster the incentive for the karaoke venues operators to install the Karaoke CMS at their earliest chance.

For the provision of lottery-related businesses in the PRC, apart from continuing to devote efforts in advancement of Bozone's existing technology, provide customized systems and accelerate the game development to maintain the customers with high satisfaction, Bozone Group will also actively seek to expand its services to various types of PRC lotteries.

In addition to the trading business via Aptus' Singaporean subsidiary, management believes the acquisition of the entire issued share capital of Casdon will allow Aptus to participate in a business with growing demand of which providing storage spaces for ancestral property storage and private ancestral worship by a group of related persons in Hong Kong and also benefit Aptus in diverse its business, income and asset base.

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

As at 31 December 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 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			Total interest	Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest		
Cheung Kwai Lan	Company	2,095,857,322 (Note 1)	2,070,000 (Note 2)	-	2,097,927,322	65.32%
Chan Tung Mei	Company	-	-	2,097,927,322 (Notes 1 & 2)	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 (Note 3)	910	-
Chan Tung Mei	Best Frontier Investments Limited	-	1	909 (Note 3)	910	-
Cheung Kwai Lan	Aptus Holdings Limited	851,746,428 (Note 4)	-	-	851,746,428	41.27%
Chan Tung Mei	Aptus Holdings Limited	-	-	851,746,428 (Note 4)	851,746,428	41.27%

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 31 December 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 851,746,428 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 31 December 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	

Save as disclosed herein, as at 31 December 2009, 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 six months ended 31 December 2009.

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

As at 31 December 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 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:

(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	2,095,857,322 <i>(Note 1)</i>	–	65.25%

Note:

1. The 2,095,857,322 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other.

(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	203,015,273 <i>(Note 1)</i>	–	6.32%

Note:

1. A maximum of 203,015,273 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. In addition, Liberty Harbor holds 105,931 shares of the Company.

Save as disclosed above, as at 31 December 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.

CORPORATE GOVERNANCE

The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

The provision A.4.1 of the Code on Corporate Governance Practices (the "Code on CGP") as set out in Appendix 15 of the GEM Listing Rules provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

Except for the deviation from the provision A.4.1 of the Code on CGP, the Company has complied with all remaining provisions of the Code on CGP during the six months ended 31 December 2009.

The Directors will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board consider appropriate.

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 six months ended 31 December 2009.

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 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 six months ended 31 December 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 six months ended 31 December 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, 11 February 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.