



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

2010/2011

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

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

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

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This report, for which the board of directors of China Vanguard Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of directors (the "Board") of China Vanguard Group Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 31 December 2010, together with the comparative unaudited figures for the corresponding periods in 2009, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2010

	Notes	(Unaudited) Three months ended 31 December 2010		(Unaudited) Six months ended 31 December 2010	
		2009 HK\$'000	2009 HK\$'000 (Restated)	2009 HK\$'000	2009 HK\$'000 (Restated)
CONTINUING OPERATIONS					
Revenue	2	23,719	22,906	54,051	45,229
Cost of sales		(3,614)	(7,982)	(17,556)	(16,003)
Gross profit		20,105	14,924	36,495	29,226
Other revenue		2,566	11,440	2,947	11,771
Selling and distribution costs		(4,519)	(3,193)	(7,356)	(5,482)
Administrative expenses		(31,067)	(25,124)	(49,852)	(47,956)
Loss on changes in fair value for derivative financial instruments		-	(31,646)	-	(31,646)
Finance costs		(1,496)	(3,849)	(2,373)	(7,816)
LOSS BEFORE TAXATION		(14,411)	(37,448)	(20,139)	(51,903)
Income tax expenses	5	322	(592)	(1,001)	(1,603)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(14,089)	(38,040)	(21,140)	(53,506)
DISCONTINUED OPERATIONS					
Profit/(loss) for the period from discontinued operations	17	(16,720)	46,209	40,600	116,026
PROFIT/(LOSS) FOR THE PERIOD		(30,809)	8,169	19,460	62,520

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	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	1,844	53	1,879	148
Discontinued operations	(42)	264	–	303
Release of translation reserve due to disposal of jointly controlled entities				
Continuing operations	–	–	–	–
Discontinued operations	–	–	–	(19,990)
	1,802	317	1,879	(19,539)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
	(29,007)	8,486	21,339	42,981
Profit/(loss) for period attributable to:				
Equity holders of the Company				
Continuing operations	(16,105)	(66,850)	(20,387)	(92,182)
Discontinued operations	(16,720)	46,209	40,600	116,026
	(32,825)	(20,641)	20,213	23,844
Non-controlling interests				
Continuing operations	2,016	28,810	(753)	38,676
Discontinued operations	–	–	–	–
	2,016	28,810	(753)	38,676
PROFIT/(LOSS) FOR THE PERIOD				
	(30,809)	8,169	19,460	62,520

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Total comprehensive income for the period attributable to: Equity holders of the Company				
Continuing operations	(14,261)	(66,862)	(18,508)	(92,116)
Discontinued operations	(16,762)	46,383	40,600	96,249
	(31,023)	(20,479)	22,092	4,133
Non-controlling interest				
Continuing operations	2,016	28,965	(753)	38,848
Discontinued operations	-	-	-	-
	2,016	28,965	(753)	38,848
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(29,007)	8,486	21,339	42,981
EARNINGS/(LOSS) PER SHARE (HK Cents)				
From continuing and discontinued operations:				
Basic	(1.02)	(0.64)	0.63	0.74
Diluted	N/A	N/A	0.63	0.74
From continuing operations:				
Basic	(0.50)	(2.08)	(0.63)	(2.87)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		35,271	42,472
Goodwill		1,154,768	1,154,768
Other intangible assets		12,808	11,381
Available-for-sale financial asset		67,314	63,780
		1,270,161	1,272,401
Current assets			
Inventories		5,589	3,897
Trade and other receivables and prepayments	9	36,516	24,337
Tax recoverable		–	50
Pledged bank deposits		5,139	5,128
Bank balances and cash		63,694	96,456
		110,938	129,868
Assets classified as held for sale		–	1,079,773
		110,938	1,209,641
Current liabilities			
Trade and other payables	10	44,338	29,707
Tax liabilities		1,917	539
Derivative financial instruments	11	5,757	17,722
Bank and other borrowings – due within one year		14,383	20,351
		66,395	68,319
Liabilities associated with assets classified as held for sale		–	375,041
		66,395	443,360

		(Unaudited)	(Audited)
		31 December	30 June
		2010	2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Net current assets		44,543	766,281
Total assets less current liabilities		1,314,704	2,038,682
Non-current liabilities			
Bank and other borrowings		26,420	–
Convertible bonds	11	26,895	63,089
		53,315	63,089
Net assets		1,261,389	1,975,593
Capital and reserves			
Share capital	13	32,119	32,119
Reserves		1,211,534	1,474,454
Equity attributable to equity holders of the Company		1,243,653	1,506,573
Non-controlling interest		17,736	469,020
Total equity		1,261,389	1,975,593

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2010*

	(Unaudited)	
	Six months ended	
	31 December	
	2010	2009
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(15,768)	(46,818)
Net cash inflow/(outflow) from investing activities	25,616	387,274
Net cash inflow/(outflow) from financing activities	(51,751)	(43,724)
Net increase/(decrease) in cash and cash equivalents	(41,903)	296,732
Cash and cash equivalents at beginning of period	105,386	231,195
Effect of foreign exchange rates changes	211	918
Cash and cash equivalents at end of period	63,694	528,845

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

	(Unaudited)										
	Attributable to equity holders of the Company										
	Share Capital	Share premium	Employee		Share option reserve	Translation reserve	Special reserve	Accumulated losses	Discontinued operations	Non-controlling interest	Total
			Capital redemption reserve	Share-based compensation reserve							
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 2010	32,119	2,155,574	234	35,572	11,092	12,661	(1)	(1,181,868)	441,190	469,020	1,975,593
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	1,879	-	-	-	-	1,879
Profit for the period	-	-	-	-	-	-	-	(20,387)	40,600	(753)	19,460
Total comprehensive income for the period	-	-	-	-	-	1,879	-	(20,387)	40,600	(753)	21,339
Disposal of a subsidiary	-	-	-	-	-	-	-	196,778	(481,790)	(450,531)	(735,543)
At 31 December 2010	32,119	2,155,574	234	35,572	11,092	14,540	(1)	(1,005,477)	-	17,736	1,261,389

For the six months ended 31 December 2009

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share Capital HK\$'000	Share premium HK\$'000	Convertible bonds reserve HK\$'000	Capital redemption reserve HK\$'000	Employee Share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Discontinued operations HK\$'000	Non-controlling interest HK\$'000	Total 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) No 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

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

The accounting policies and methods of computation used in the preparation of these unaudited consolidated results are consistent with those applied in the annual financial statements for the year ended 30 June 2010, except in relation to the following new HKFRSs (which include all HKFRSs, HKASs and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period’s financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 8 (Amendment)	Disclosure of information about segment assets

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

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

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

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

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

2. REVENUE

The principal activities of the Group are (i) provision of the karaoke content management service system and license fee collection business, a technology platform for intellectual property protection and value-added services for the karaoke industry (in the entertainment sector) in the PRC; and (ii) provision of lottery-related businesses in the PRC.

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

3. SEGMENT INFORMATION

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 31 December 2010:

Six months ended 31 December 2010 (Unaudited)

	Continuing operations					Consolidated HK\$'000
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Others HK\$'000	Discontinued		
				Total HK\$'000	operations HK\$'000	
Segment revenue:						
Sales to external customers	20,690	29,914	3,447	54,051	5,617	59,668
Segment results	(3,430)	9,577	(1,386)	4,761	(367)	4,394
Unallocated income	-	-	-	2,714	49	2,763
Unallocated expenses	-	-	-	(25,241)	(983)	(26,224)
Finance costs	(2)	-	-	(2,373)	(3,624)	(5,997)
Loss on investment	-	-	-	-	(41,606)	(41,606)
Gain on deconsolidation of HK Life	-	-	-	-	87,141	87,141
Profit/(loss) before taxation				(20,139)	40,610	20,471
Income tax expenses				(1,001)	(10)	(1,011)
Profit/(loss) for the period				(21,140)	40,600	19,460
Amount included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	(135)	(2,379)	(28)		-	
Depreciation and amortization	(1,852)	(5,621)	(450)		(698)	
Other non-cash expenses	-	-	-		(3,624)	

3. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

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

Six months ended 31 December 2009 (Unaudited)

	Continuing operations			Discontinued operations		Consolidated
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Others HK\$'000	Total HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	20,530	23,859	840	45,229	21,396	66,245
Segment results	(2,386)	10,185	(1,783)	6,016	997	7,013
Unallocated income	-	-	-	10,334	-	10,334
Unallocated expenses	-	-	-	(60,436)	(15,637)	(76,073)
Finance costs	-	-	-	(7,817)	(18,806)	(26,623)
Gain on disposal of jointly controlled entities	-	-	-	-	197,707	197,707
Gain on termination of profit sharing arrangement	-	-	-	-	11,031	11,031
Impairment of goodwill	-	-	-	-	(96,176)	(96,176)
Gain on disposal of subsidiary	-	-	-	-	56,486	56,486
Profit/(loss) before taxation				(51,903)	135,602	83,699
Income tax expenses				(1,603)	(19,576)	(21,179)
Profit/(loss) for the period				(53,506)	116,026	62,520
Amount included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	(488)	(3,228)	-		-	
Depreciation and amortization	(2,049)	(5,336)	(458)		(2,495)	
Other non-cash expenses	-	-	-		(16,657)	

3. SEGMENT INFORMATION (Continued)

(b) Segment assets

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

As at 31 December 2010 (Unaudited)

	Continuing operations					
	Provision of lottery-related hardware and software			Discontinued operations		Consolidated
	Karaoke CMS	software system	Others	Total	Discontinued operations	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets						
Segment assets	73,881	50,456	6,636	130,973	-	130,973
Unallocated assets	-	-	-	1,250,126	-	1,250,126
Total assets				1,381,099	-	1,381,099
Liabilities						
Segment liabilities	22,524	10,705	12,067	45,296	-	45,296
Unallocated liabilities	-	-	-	959	-	959
Borrowings	-	-	-	40,803	-	40,803
Convertible bonds	-	-	-	32,652	-	32,652
				119,710	-	119,710

3. SEGMENT INFORMATION (Continued)

(b) Segment assets (Continued)

As at 30 June 2010 (Audited)

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Karaoke CMS HK\$'000	Provision of lottery- related hardware and software system HK\$'000	Others HK\$'000	Total	operations	
				HK\$'000	HK\$'000	
Assets						
Segment assets	67,810	76,416	7,580	151,806	1,073,510	1,225,316
Unallocated assets	-	-	-	1,250,463	6,263	1,256,726
Total assets				1,402,269	1,079,773	2,482,042
Liabilities						
Segment liabilities	14,048	10,424	1,789	26,261	31,141	57,402
Unallocated liabilities	-	-	-	12,237	4,023	16,260
Borrowings	-	-	-	12,100	87,205	99,305
Convertible bonds	-	-	-	80,810	252,672	333,482
				131,408	375,041	506,449

4. PROFIT/(LOSS) FROM OPERATIONS

Profit/(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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cost of inventories sold	1,933	639	758	18,650	2,691	19,289
Amortisation of prepaid lease	-	-	648	-	648	-
Depreciation of property, plant and equipment	6,371	6,960	50	2,060	6,421	9,020
Interest on borrowings	535	1	-	2,149	535	2,150
Interest on convertible bonds	1,838	7,817	3,624	16,657	5,462	24,474
Interest income	(173)	(5,005)	-	-	(173)	(5,005)

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 2010 (three months and six months ended 31 December 2009: 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 2010 (three months and six months ended 31 December 2009: 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	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	(32,825)	(20,641)	20,213	23,844

Number of shares

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	3,211,894	3,211,894	3,211,894	3,211,894
Effect of dilutive potential ordinary shares:				
Share options	–	2,512	–	2,378
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,211,894	3,214,406	3,211,894	3,214,272

No diluted loss per share has been presented for continuing and discontinued operations for the three months ended 31 December 2010 and for the three months ended 31 December 2009, as exercise of the outstanding share options, warrants and convertible bonds of the Company 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)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to equity holders of the Company	(32,825)	(20,641)	20,213	23,844
Less: Profit/(loss) for the period from discontinued operations	(16,720)	46,209	40,600	116,026
Loss for the purposes of basic loss per share from continuing operations	(16,105)	(66,850)	(20,387)	(92,182)

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 exercise of outstanding share options, warrants and convertible bonds of the Company 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 2010 are loss of approximately HK0.52 cent and profit of approximately HK1.26 cents per share respectively (three months and six months ended 31 December 2009: profit of approximately HK1.44 cents and HK3.61 cents per share respectively) based on the profit/(loss) for the period from discontinued operations of approximately (HK\$16,720,000) and HK\$40,600,000 respectively (three months and six months ended 31 December 2009: profit of approximately HK\$46,209,000 and profit of approximately HK\$116,026,000 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 six months ended 31 December 2010, and three months and six months ended 31 December 2009 are approximately HK1.26 cents and HK1.44 cents and HK3.61 cents per share respectively based on the profit for the six months ended 31 December 2010, and three months and six months ended 31 December 2009 from discontinued operations of approximately HK\$40,600,000, HK\$46,209,000 and HK\$116,026,000 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 three months ended 31 December 2010, as exercise of outstanding share options, warrants and convertible bonds of the Company would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2010, the Group acquired items of plant and machinery with a cost of approximately HK\$830,000 (six months ended 31 December 2009: approximately HK\$4,471,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2010 (six months ended 31 December 2009: no material disposal).

9. TRADE RECEIVABLES

Payment terms with customer are mainly on credit. Invoices are normally payable within 30 days of issuance.

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

	(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 HK\$'000
0 to 30 days	7,726	6,469
31 to 60 days	2,551	1,573
61 to 365 days	1,751	4,258
Over 1 year	1,260	1,132
	13,288	13,432

10. TRADE PAYABLES

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

	(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 HK\$'000
0 to 30 days	4,488	2,412
31 to 120 days	4,425	1,925
121 to 180 days	1,986	2,680
181 to 365 days	2,029	647
Over 1 year	143	248
	13,071	7,912

11. CONVERTIBLE BONDS

The Company adhered the convertible bonds issued by its wholly-owned subsidiary, Grand Promise International Limited ("GPIL Bonds" and "GPIL" respectively) on 11 April 2008 with a principal amount of US\$35,000,000. The GPIL 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 (i.e. 30 November 2012) at 141.06% of the outstanding principal amount of the convertible bonds.

11. CONVERTIBLE BONDS (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 30 December 2010 the Company, GPIL and Precise Result Profits Limited ("Precise Result") have entered into various agreements with the GPIL Bonds holders to allow the parties more time to continue the negotiation on the restructuring and/or the repayment of all amounts outstanding ("December Amendments"). The GPIL Bonds previously issued to Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution") with an outstanding principal amount of US\$2,114,000 as of 30 December 2010 has been transferred to Evo Fund ("Evofund") and the GPIL Bonds previously held by Tarascon Asia Absolute Fund (Cayman) Limited ("Tarascon") with an outstanding principal amount of US\$925,000 as of 30 December 2010 has been transferred to Capital Day Investments Limited ("Capital Day"). The outstanding principal amount of the GPIL Bonds as at 31 December 2010 was US\$3,039,000.

As a result of the December Amendments and certain undertakings provided by the Company, GPIL and Precise Result such as payment of daily extension fees and the issuance of 30,000,000 warrants to Evofund, Evofund and Capital Day undertook not to exercise the redemption option until 31 March 2011 and 30 June 2011 respectively. Furthermore, as consideration of Evofund agreeing to postpone redemption period to 31 March 2011, Best Frontier Investments Limited, being a substantial shareholder of the Company have entered into the a share pledge on 30 December 2010 in favour of Evofund with respect to 1,010,022,757 shares of the Company.

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 HK\$'000	(Unaudited) Liability component HK\$'000
At 1 July 2010	17,722	63,089
Imputed finance cost	–	1,838
Changes of fair value	–	–
Exchange difference	–	742
Redemption of the convertible bonds partially	(11,965)	(38,774)
At 31 December 2010	5,757 (Note 1)	26,895 (Note 2)

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

Note 2: Total of approximately of HK\$26,896,000 (31 December 2009: HK\$153,062,000) is recorded as non-current liabilities.

12. WARRANTS

On 26 August 2010 the Company issued an aggregate of 40,000,000 warrants at the exercise price of HK\$0.168 per share to the Evolution and Tarascon expiring on 26 August 2011.

Subsequent to the reporting period, on 11 January 2011 the Company issued 30,000,000 warrants at the exercise price of HK\$0.168 per share to Evofund expiring on 11 January 2012.

13. SHARE CAPITAL

	(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 HK\$'000
<i>Authorised:</i>		
20,000,000,000 (30 June 2010: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
<i>Issued and fully paid:</i>		
3,211,893,839 (30 June 2010: 3,211,893,839) ordinary shares of HK\$0.01 each	32,119	32,119

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 2010, the Company had outstanding share options entitling the holders to subscribe for 83,050,000 shares in the Company.

14. PLEDGE OF ASSETS

As at 31 December 2010, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of GPIL) together with all proceeds in favor of the holder(s) of the GPIL Bonds previously issued by GPIL; and by the deeds of adherence on completion of the acquisition of GPIL in April 2008, the convertible bonds were taken up by the Company.

At 31 December 2010, the Group has pledged its bank deposits of approximately HK\$5,138,000 (30 June 2010: approximately HK\$5,128,000) as security for the general banking facilities granted to the Group.

15. OPERATING LEASES COMMITMENTS

The Group as lessee

At 31 December 2010, 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 2010 HK\$'000	(Audited) 30 June 2010 <i>HK\$'000</i>
Within one year	5,371	5,185
In the second to fifth year inclusive	6,111	8,337
	11,482	13,522

Discontinued operations

	(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 <i>HK\$'000</i>
Within one year	–	531
In the second to fifth year inclusive	–	609
Over five years	–	–
	–	1,140

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

The Group as lessor

At 31 December 2010, the Group had no contract as lessor.

16. CAPITAL COMMITMENTS

	(Unaudited) 31 December 2010 HK\$'000	(Audited) 30 June 2010 HK\$'000
Discontinued operations		
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	–	44,667
Capital expenditure in respect of the properties under development	–	23,052
Capital expenditure in respect of the sole distribution right of the paper-offering business	–	414
	–	68,133

The Group did not have any capital commitments from continuing operations.

17. 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.

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

	(Unaudited) Six months ended 31 December 2010 HK\$'000	2009 HK\$'000 <i>(Restated)</i>
Profit/(loss) for the period from discontinued operations		
Revenue and other revenue	5,667	21,435
Expenses	(52,198)	(54,881)
Gain on disposal of HK Life	87,141	56,486
Gain on disposal of jointly controlled entities	–	197,707
Gain on termination of profit sharing rights	–	11,031
Goodwill written off	–	(96,176)
Profit before taxation	40,610	135,602
Income tax	(10)	(19,576)
Profit for the period from discontinued operations	40,600	116,026
Operating cashflows	(4,503)	(25,870)
Investing cashflows	10,212	418,628
Financing cashflows	(323)	30,567
Net increase in cashflows	5,386	423,325

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 2010 was as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	5,404	4,831	8,668	9,661
Post-employment benefits	24	30	49	60
	5,428	4,861	8,717	9,721

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

On 11 January 2011 the Company issued 30,000,000 warrants at the exercise price of HK\$0.168 per share to Evofund expiring on 11 January 2012.

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; and (ii) provision of lottery-related businesses in the PRC; 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

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/license) fees on behalf of intellectual property owners and the provision of value-added services (“VAS”) in the entertainment sector in the PRC; and (ii) lottery-related businesses and opportunities in the PRC. For the six months ended 31 December 2010 (“Period 2010”) the Group recorded total revenue of approximately HK\$54,051,000, an increase of about 20% as compared to approximately HK\$45,229,000 for the six months ended 31 December 2009 (“Period 2009”).

Business Review

Steady progress has been made by the Karaoke CMS operations and the lottery-related operations during the period under review as illustrated by the growth in total revenue contribution of 14%, an increase of HK\$6,215,000 as compared to the previous corresponding period.

Karaoke CMS Operations

Via our 49% owned China Culture Development Digital Technology Co., Ltd., (“CCDDT”) (「北京中文發數字科技有限公司」) and its subsidiary and jointly controlled entities (together referred to as the “CCDDT Group”)

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

Collection of copyright fees has progressed steadily. Meanwhile, 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 CCDDT providing video-on-demand (“VOD”) equipment, has developed a first-of-its kind VOD equipment (“LS VOD”) that is VAS capable. It is able to provide VAS such as advertising and lottery sales in karaoke venues and is equipped with touch screen technology. Feedback from the users of the LS VOD have been positive with sales momentum increasing.

Lottery-related Operations

Via our 51% owned Shenzhen Bozone I.T. Co. Ltd. ("Bozone") (「深圳市博眾信息技術有限公司」) and its subsidiaries (together referred to as the "Bozone Group")

Bozone Group is currently servicing the Welfare Lottery Centres of Shenzhen, Heilongjiang and Zhejiang and services for each province varies. Typical services include day-to-day system, network, and technical and hardware maintenance; other services include system development, auxiliary system development and game development.

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

During Period 2010 Bozone Group 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 the six months ended 31 December 2010, the Group's unaudited consolidated revenue from continuing operations were approximately HK\$54,051,000, representing an increase of approximately 20% as compared to approximately HK\$45,229,000 recorded for the same period of last year. The Karaoke CMS operations and lottery-related operations are the core businesses of the Group in the PRC and they accounted for about 94% of the Group's total revenue. The business from lottery-related operations continued to achieve commendable growth and its revenue was increased by about 25% from Period 2009 to Period 2010.

Gross profit ratio increased to 68% for Period 2010 as compared to 65% for Period 2009 due to the increasing scale of the lottery-related operations. Contributed by the revenue growth and increased gross profit ratio, the gross profit of the Group has increased by 25% from approximately HK\$29,226,000 in Period 2009 to approximately HK\$36,495,000 in Period 2010.

The Group's operating costs for continuing operations in Period 2010 were approximately HK\$59,581,000, as compared to approximately HK\$92,900,000 for Period 2009. The improvement predominately came from the significant reduction of costs associated with the derivative financial instruments (i.e. the GPIL Bonds).

On 17 September 2010, Hong Kong Life Group Holdings Limited ("HK Life")(formerly known as Aptus Holdings Limited) has ceased to be a subsidiary of the Group and a net gain of approximately HK\$87,141,000 was recognised by the Group upon the deconsolidation. However, the gain was partly offset by the investment loss subsequently recorded of approximately HK\$41,606,000 due to the share price decline of remaining HK Life's shares held by the Group over the Period 2010.

Due to the improved financial performance of the lottery-related business and the recognition of gain from the disposals of investment in subsidiary, the unaudited net profit attributable to equity holders of the Company for the Period 2010 was approximately HK\$20,213,000 as compared to approximately HK\$23,844,000 recorded for Period 2009.

Financial resources and liquidity

As at 31 December 2010, the Group had cash and bank balances of approximately HK\$63,694,000 (30 June 2010: approximately HK\$96,456,000, excluding assets classified as held for sale). Net asset value per share was approximately HK\$0.393 (30 June 2010: approximately HK\$0.396, excluding assets and liabilities classified as held for sale), and current assets stood at approximately HK\$110,938,000 (30 June 2010: approximately HK\$129,868,000, excluding assets classified as held for sale). The gearing ratio was 4% as at 31 December 2010 (30 June 2010: approximately 5%). Gearing ratio is calculated as non-current liabilities 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 2010, there was no material change in the capital structure of the Group.

Charges on the Group assets

As at 31 December 2010, the Group has pledged all the issued and outstanding shares of Birdview Group Limited (a wholly-owned subsidiary of GPIL) together with all proceeds in favor of the holder(s) of the convertible bonds previously issued by GPIL; and by the deeds of adherence on completion of acquisition of GPIL in April 2008, the convertible bonds were taken up by the Company.

At 31 December 2010, the Group has pledged its bank deposits of approximately HK\$5,138,000 (30 June 2010: approximately HK\$5,128,000) as security for the general banking facilities granted to the Group.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2010 (30 June 2010: Nil).

Commitments

The Group had capital commitments of HK\$Nil and operating leases commitments as lessee of approximately HK\$11,482,000 from continuing operations as at 31 December 2010 (30 June 2010: HK\$Nil and approximately HK\$13,522,000 respectively).

Significant investments, acquisitions and disposal

During Period 2010 the Group disposed an aggregate of 24,740,000 shares of HK Life and raised total gross proceeds of approximately HK\$5,084,000 (before stamp duties and other relevant expenses). With effect on 17 September 2010 HK Life has ceased to be a subsidiary of the Group and its financial results are no longer consolidated with those of the Group.

Save for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December 2010.

Employees

The Group, including jointly controlled entities, employed 699 employees as at 31 December 2010 (30 June 2010: 693). 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.

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 previously, our Karaoke CMS operations provide copyright collection services. China Audio-Video Copyright Association's ("CAVCA") (「中國音像著作權集團管理協會」) members represent over 95% of the music videos played in karaoke venues in the PRC, including the four major international record labels and other record labels such as EEG, Rock Records and Gold Typhoon. CAVCA has contracted to use the Karaoke CMS as its exclusive channel for copyright settlement for a period of 10 years beginning back in 2007, ensuring that the Group represents almost all copyright owners for an extensive period.

In addition to copyright collection services, CCDDT Group will continue to devote resources to further develop and promote VAS to karaoke venues as this is an area full of great potential. Providing VAS to the karaoke operators will help to broaden their revenue streams, thereby, creating more incentive for the karaoke operators to utilize the Group's services. As mentioned before, Lightsoft has developed the first-of-its-kind VOD equipment that is VAS capable with VAS such as advertising and lottery sales. Lightsoft will continue to fine-tune the LS VOD to enhance users' experience both in terms of hardware and breadth of VAS provided. CCDDT also will work with Lightsoft to develop other VAS such as in-room pay-per-play of films, concert and live broadcast of sporting events.

Lottery-related operations

The Ministry of Finance of the PRC ("MOF") has indicated that in order to increase lottery sales and create new sales channels, applications of lottery sales via the telephone and internet should be introduced. In order to regulate internet and telephone lottery sales, during the period under review, the MOF officially issued the "Provisional Measures for the Administration of Internet Lottery Sales 《互聯網銷售彩票管理暫行辦法》" and the "Provisional Measures for the Administration of Telephone Lottery Sales 《電話銷售彩票管理暫行辦法》". These two provisional measures open a whole new area of opportunities for the Group to provide services for.

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 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the 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	1,939,457,322 (Note 1)	2,070,000 (Note 2)	-	1,941,527,322	60.45%
Chan Tung Mei	Company	-	-	1,941,527,322 (Notes 1 & 2)	1,941,527,322	60.45%
Lau Hin Kun	Company	-	1,410,000	-	1,410,000	0.04%
Cheung Kwai Lan	Best Frontier Investments Limited	-	909	1 (Note 3)	910	-
Chan Tung Mei	Best Frontier Investments Limited	-	1	909 (Note 3)	910	-

Notes:

- The 1,939,457,322 shares are owned by Best Frontier Investments Limited ("Best Frontier") which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares held by Best Frontier and Mr. Chan Tung Mei is deemed to be interested in all 1,939,457,322 shares by virtue of being the spouse of Madam Cheung Kwai Lan under the SFO. Out of the 1,939,457,322 shares of the Company owned by Best Frontier, 1,010,022,757 shares of the Company have been pledged in favour of Evofund pursuant to a share pledge by Best Frontier entered on 30 December 2010.

2. The 2,070,000 shares are owned by Madam Cheung Kwai Lan who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.
3. The 1 share and 909 shares of US\$1 each in Best Frontier is owned respectively by Mr. Chan Tung Mei and Madam Cheung Kwai Lan who are spouse to each other. Accordingly, Madam Cheung Kwai Lan and Mr. Chan Tung Mei are deemed to be interested in the shares held by each other under the SFO.

(2) Share options of the Company

The Company has adopted a share option scheme on 18 October 2002 (the "Share Option Scheme"), under which the Board may, at its discretion, invite any persons who satisfies the criteria of the Share Option Scheme, to take up options to subscribe for the shares in the Company.

The Share Option Scheme will remain valid for a period of 10 years commencing from 18 October 2002.

Name of Directors	Date of grant	Exercise Price HK\$	Outstanding at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2010	Exercise period of share options
Cheung Kwai Lan	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	3,120,000	-	-	-	3,120,000	23/11/2007 – 17/10/2012
Chan Tung Mei	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	3,120,000	-	-	-	3,120,000	23/11/2007 – 17/10/2012
Chan Ting	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	1,560,000	-	-	-	1,560,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	3,120,000	-	-	-	3,120,000	23/11/2007 – 17/10/2012
Lau Hin Kun	23/11/06	0.62	350,000	-	-	-	350,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	350,000	-	-	-	350,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	700,000	-	-	-	700,000	23/11/2007 – 17/10/2012
Tian He Nian	23/11/06	0.62	260,000	-	-	-	260,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	260,000	-	-	-	260,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	530,000	-	-	-	530,000	23/11/2007 – 17/10/2012
To Yan Ming Edmond	23/11/06	0.62	260,000	-	-	-	260,000	23/11/2006 – 17/10/2012
	23/11/06	0.62	260,000	-	-	-	260,000	23/5/2007 – 17/10/2012
	23/11/06	0.62	530,000	-	-	-	530,000	23/11/2007 – 17/10/2012
Total			22,220,000	-	-	-	22,220,000	

Save as disclosed herein, as at 31 December 2010, 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 2010.

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

As at 31 December 2010, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief 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	1,939,457,322 <i>(Note 1)</i>	–	60.38%
Evo Fund	Person having a security interest and beneficial owner	1,040,022,757 <i>(Notes 1 and 2)</i>	–	32.38%
Evo Investment Advisors Ltd.	Investment Manager	1,040,022,757 <i>(Notes 1, 2 and 3)</i>	–	32.38%
Evo Capital Management Asia Limited	Investment Manager	1,070,022,757 <i>(Notes 1, 2, 3 and 4)</i>	–	33.31%

Notes:

1. The 1,939,457,322 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei who are spouse to each other. Out of the 1,939,457,322 shares of the Company owned by Best Frontier, 1,010,022,757 shares of the Company have been pledged in favour of Evofund pursuant to a share pledge by Best Frontier entered on 30 December 2010.
2. Pursuant to a share pledge entered on 30 December 2010 by Best Frontier in favour of Evofund, a total of 1,010,022,757 shares of the Company have been pledged to Evofund. The remaining 30,000,000 shares represents warrants granted, but not yet exercised, to Evofund by the Company on 11 January 2011 at an exercise price of HK\$0.168 per warrant share as consideration for Evofund agreeing to extend the put option of the GPIL Bonds until 31 March 2011.
3. As investment manager of Evofund, Evo Investments Advisors Ltd., and Evo Capital Management Asia Limited are deemed to be interested in the aggregated long positions in the shares and underlying shares of the Company held by Evofund pursuant to the share pledge and the warrants granted as detailed in note 2 above.
4. As investment manager of Evolution Master Fund Ltd. SPC, Segregated Portfolio M (“Evolution”), Evolution being the previous holder of the GPIL Bonds, Evo Capital Management Asia Limited is deemed to be interested in 30,000,000 warrants granted, but not yet exercised, to Evolution by the Company on 26 August 2010 at an exercise price of HK\$0.168 per warrant shares.

Save as disclosed above, as at 31 December 2010, the Directors or chief executives of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

COMPETING INTERESTS

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

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 2010.

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 2010.

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 2010 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

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

During the six months ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

CHAN Ting

Director

Hong Kong, 14 February 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, and Mr. To Yan Ming Edmond.