



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)

ANNUAL RESULTS 2009

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 announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors (the “Board”) of China Vanguard Group Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 30 June 2009, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 HK\$'000	2008 HK\$'000 (Restated)
Continuing operations			
Revenue	4	85,079	78,292
Cost of sales		<u>(40,473)</u>	<u>(46,707)</u>
Gross profit		44,606	31,585
Other revenue	4	8,565	4,533
Selling and distribution costs		(8,095)	(2,657)
Administrative expenses		(75,607)	(89,310)
Gain (loss) on changes in fair value for derivative financial instruments		25,629	(13,347)
Finance costs	5	<u>(60,658)</u>	<u>(37,476)</u>
Loss before taxation	6	(65,560)	(106,672)
Income tax expenses	7	<u>(1,149)</u>	<u>(2,306)</u>
Loss for the year from continuing operations		<u>(66,709)</u>	<u>(108,978)</u>
Discontinued operations			
Loss for the year from discontinued operations	9	<u>(28,557)</u>	<u>(4,036)</u>
Loss for the year		<u>(95,266)</u>	<u>(113,014)</u>
Attributable to:			
Equity holders of the Company			
Continuing operations		(72,086)	(112,369)
Discontinued operations		<u>(28,557)</u>	<u>(4,036)</u>
		<u>(100,643)</u>	<u>(116,405)</u>
Minority interests			
Continuing operations		5,377	3,391
Discontinued operations		<u>—</u>	<u>—</u>
		<u>(95,266)</u>	<u>(113,014)</u>
Loss per share			
From continuing and discontinued operations			
Basic	10	<u>(HK3.12 cents)</u>	<u>(HK8.03 cents)</u>
From continuing operations			
Basic	10	<u>(HK2.24 cents)</u>	<u>(HK7.75 cents)</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	<i>11</i>	54,670	276,868
Goodwill		2,215,971	2,297,186
Other intangible assets		8,677	5,358
Interest in associates	<i>12</i>	–	2,127
Available-for-sale financial asset		63,780	63,780
Prepaid lease payments		–	15,502
Construction in progress		–	6,912
		<hr/> 2,343,098	<hr/> 2,667,733
Current assets			
Inventories	<i>13</i>	2,423	6,912
Trade and other receivables and prepayments	<i>14</i>	56,040	114,487
Prepaid lease payments – current portion		–	452
Tax recoverable		–	680
Pledged bank deposits		5,110	5,033
Bank balances and cash		231,195	292,600
		<hr/> 294,768	420,164
Assets classified as held for sale	<i>15</i>	350,193	–
		<hr/> 644,961	<hr/> 420,164
Current liabilities			
Trade and other payables	<i>16</i>	58,081	66,093
Tax liabilities		1,163	539
Derivative financial instruments		75,232	100,861
Bank and other borrowings		–	–
– due within one year	<i>17</i>	16,500	66,745
		<hr/> 150,976	<hr/> 234,238
Liabilities associated with assets classified as held for sale	<i>15</i>	123,825	–
		<hr/> 274,801	<hr/> 234,238

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Net current assets		370,160	185,926
Total assets less current liabilities		2,713,258	2,853,659
Non-current liabilities			
Bank and other borrowings	<i>17</i>	19,645	114,251
Convertible bonds	<i>18(a)&(b)</i>	522,739	471,097
		542,384	585,348
Net assets		2,170,874	2,268,311
Capital and reserves			
Share capital		32,119	32,353
Reserves		2,102,684	2,215,272
Equity attributable to equity holders of the Company		2,134,803	2,247,625
Minority interests		36,071	20,686
Total equity		2,170,874	2,268,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Retained profits/ (Accumulated loss) HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2007	9,361	286,884	-	10,712	35,572	122,746	8,136	(1)	(47,713)	-	425,697	12,508	438,205
Released on deemed disposal of a subsidiary held by a jointly controlled entity	-	-	-	-	-	-	(12)	-	-	-	(12)	(737)	(749)
Exchange differences on translation of financial statement of overseas operations	-	-	-	-	-	-	26,971	-	-	-	26,971	968	27,939
Net income recognized directly in equity	9,361	286,884	-	10,712	35,572	122,746	35,095	(1)	(47,713)	-	452,656	12,739	465,395
Net (loss) profit for the year	-	-	-	-	-	-	-	-	(116,405)	-	(116,405)	3,391	(113,014)
Total recognized income and expenses for the year	9,361	286,884	-	10,712	35,572	122,746	35,095	(1)	(164,118)	-	336,251	16,130	352,381
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	4,556	4,556
Release of share option reserve	-	-	-	-	-	(120,002)	-	-	120,002	-	-	-	-
Recognition of equity-settled share based payment	-	-	-	-	-	8,538	-	-	-	-	8,538	-	8,538
Shares issued pursuant to sale and purchase agreement	22,622	1,854,982	-	-	-	-	-	-	-	-	1,877,604	-	1,877,604
Conversion of convertible bonds	1	83	-	-	-	-	-	-	-	-	84	-	84
Share issued for repayment of loan	200	16,419	-	-	-	-	-	-	-	-	16,619	-	16,619
Share issued on exercise of options	169	8,360	-	-	-	-	-	-	-	-	8,529	-	8,529
At 30 June 2008 and at 1 July 2008	32,353	2,166,728	-	10,712	35,572	11,282	35,095	(1)	(44,116)	-	2,247,625	20,686	2,268,311
Exchange differences on translation of financial statement of overseas operations	-	-	-	-	-	-	(791)	-	-	-	(791)	(44)	(835)
Discontinued operations	-	-	-	-	-	-	(19,990)	-	-	19,990	-	-	-
Net income recognized directly in equity	32,353	2,166,728	-	10,712	35,572	11,282	14,314	(1)	(44,116)	19,990	2,246,834	20,642	2,267,476
Net (loss) profit for the year	-	-	-	-	-	-	-	-	(100,643)	-	(100,643)	5,377	(95,266)
Total recognized income and expenses for the year	32,353	2,166,728	-	10,712	35,572	11,282	14,314	(1)	(144,759)	19,990	2,146,191	26,019	2,172,210
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	10,052	10,052
Shares issued on exercise of warrants	-	22	-	-	-	-	-	-	-	-	22	-	22
Repurchase of shares	(234)	(11,176)	234	-	-	-	-	-	(234)	-	(11,410)	-	(11,410)
At 30 June 2009	32,119	2,155,574	234	10,712	35,572	11,282	14,314	(1)	(144,993)	19,990	2,134,803	36,071	2,170,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company's subsidiaries and jointly controlled entities is Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for accounting periods beginning on or after 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 9 & HKFRS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible hedged items ⁴
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments ³

HKFRS 8	Operating Segments ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfer on or after 1 July 2009

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

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

a. Business segments

	Year ended 30 June 2009									
	Continuing operations						Discontinued operations			
	Distribution of natural supplementary products	Provision of lottery-related hardware and software systems	Distribution of edible oil	Karaoke CMS	Others	Total	Gas related	Profit sharing on oil field	Total	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	793	42,843	18,292	22,889	262	85,079	106,803	-	106,803	191,882
Segment results	(1,030)	15,933	11	(8,205)	(890)	5,819	10,438	(412)	10,026	15,845
Unallocated income						3,708			-	3,708
Unallocated expenses						(15,602)			(31,761)	(47,363)
Finance costs						(60,658)			(5,454)	(66,112)
Share of result of associates						-			124	124
Gain on disposal of a subsidiary held by a jointly controlled entity						1,158			-	1,158
Gain (loss) on disposal of associates						15			(7)	8
Loss before taxation						(65,560)			(27,072)	(92,632)
Income tax						(1,149)			(1,485)	(2,634)
Loss for the year						(66,709)			(28,557)	(95,266)
Segment assets	7,581	87,482	1,341	71,252	4,481	172,137	350,193	33,927	384,120	556,257
Unallocated assets						2,431,802			-	2,431,802
Total assets						2,603,939			384,120	2,988,059
Segment liabilities	386	28,421	122	14,873	592	44,394	123,825	-	123,825	168,219
Unallocated liabilities						50,995			-	50,995
Convertible bonds						597,971			-	597,971
Total liabilities						693,360			123,825	817,185
Other segment information:										
Depreciation of property, plant and equipment	788	10,359	19	3,038	241	14,445	19,719	29	19,748	34,193
Unallocated						150			-	150
						14,595			19,748	34,343
Amortization of prepaid lease payments	-	-	-	-	-	-	466	-	466	466
Capital expenditure	-	2,648	-	8,154	103	10,905	33,996	-	33,996	44,901
Unallocated						974			-	974
						11,879			33,996	45,875
Allowances for doubtful receivable	697	-	-	-	-	697	-	-	-	697
Other non-cash expenses	-	-	-	-	-	-	-	31,761	31,761	31,761
Unallocated						57,492			-	57,492
						57,492			31,761	89,253

	Continuing operations						Discontinued operations			
	Distribution of natural supplementary products HK\$'000	Provision of lottery-related hardware and software systems HK\$'000	Distribution of edible oil HK\$'000	Karaoke CMS HK\$'000	Others HK\$'000	Total HK\$'000	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Total HK\$'000	Consolidated HK\$'000
Segment revenue:										
Sales to external customers	<u>2,707</u>	<u>35,715</u>	<u>39,562</u>	<u>226</u>	<u>82</u>	<u>78,292</u>	<u>65,793</u>	<u>-</u>	<u>65,793</u>	<u>144,085</u>
Segment results	(6,854)	8,814	(28)	(1,915)	(495)	(478)	836	(840)	(4)	(482)
Unallocated income						3,604			-	3,604
Unallocated expenses						(72,322)			(2)	(72,324)
Finance costs						(37,476)			(4,398)	(41,874)
Share of result of associates						-			(40)	(40)
Loss on deemed disposal of subsidiary held by a jointly controlled entity						-			(7)	(7)
Loss before taxation						(106,672)			(4,451)	(111,123)
Income tax						(2,306)			415	(1,891)
Loss for the year						<u>(108,978)</u>			<u>(4,036)</u>	<u>(113,014)</u>
Segment assets	22,120	75,597	1,754	57,563	3,857	160,891	339,939	33,581	373,520	534,411
Unallocated assets						2,553,486			-	2,553,486
Total assets						<u>2,714,377</u>			<u>373,520</u>	<u>3,087,897</u>
Segment liabilities	699	31,390	457	790	585	33,921	117,157	1,672	118,829	152,750
Unallocated liabilities						94,878			-	94,878
Convertible bonds						571,958			-	571,958
Total liabilities						<u>700,757</u>			<u>118,829</u>	<u>819,586</u>
Other segment information:										
Depreciation of property, plant and equipment	889	9,440	-	559	230	11,118	17,673	33	17,706	28,824
Unallocated						13			-	13
						<u>11,131</u>			<u>17,706</u>	<u>28,837</u>
Amortization of prepaid lease payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461</u>	<u>-</u>	<u>461</u>	<u>461</u>
Capital expenditure	<u>671</u>	<u>2,634</u>	<u>-</u>	<u>197</u>	<u>23</u>	<u>3,525</u>	<u>12,837</u>	<u>2</u>	<u>12,839</u>	<u>16,364</u>
Allowances for doubtful receivable	<u>195</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>4,783</u>	<u>4,992</u>	<u>856</u>	<u>-</u>	<u>856</u>	<u>5,848</u>
Other non-cash expenses										
Unallocated						<u>44,025</u>			<u>-</u>	<u>44,025</u>

b. Geographical market segments

A summary of the geographical segments is set out as follows:

Geographical segments

	Continuing operations		Discontinued operations		Consolidated			
	2009	2008	2009	2008	2009	2008		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
			Revenue					
PRC	65,994	36,023	106,803	65,793	172,797	101,816		
Hong Kong	793	2,707	–	–	793	2,707		
South East Asia	18,292	39,562	–	–	18,292	39,562		
	85,079	78,292	106,803	65,793	191,882	144,085		
			Segment Results					
			Continuing operations		Discontinued operations		Consolidated	
			2009	2008	2009	2008	2009	2008
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	6,839	6,404	10,026	(4)	16,865	6,400		
Hong Kong	(1,031)	(6,854)	–	–	(1,031)	(6,854)		
South East Asia	11	(28)	–	–	11	(28)		
	5,819	(478)	10,026	(4)	15,845	(482)		
Unallocated income	3,708	3,604	–	–	3,708	3,604		
Unallocated expenses	(15,602)	(72,322)	(31,761)	(2)	(47,363)	(72,324)		
Finance costs	(60,658)	(37,476)	(5,454)	(4,398)	(66,112)	(41,874)		
Share of result of associates	–	–	124	(40)	124	(40)		
Gain (loss) on disposal of associates	15	–	(7)	–	8	–		
Gain on disposal of a subsidiary held by a jointly controlled entity	1,158	–	–	–	1,158	–		
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	–	–	–	(7)	–	(7)		
Loss before taxation	(65,560)	(106,672)	(27,072)	(4,451)	(92,632)	(111,123)		
Income tax	(1,149)	(2,306)	(1,485)	415	(2,634)	(1,891)		
Loss for the year	(66,709)	(108,978)	(28,557)	(4,036)	(95,266)	(113,014)		

	Carrying amounts of			
	Segment assets		Capital expenditure	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	552,886	510,537	44,901	15,693
Hong Kong	2,433,832	2,575,606	974	671
South East Asia	1,341	1,754	-	-
	<u>2,988,059</u>	<u>3,087,897</u>	<u>45,875</u>	<u>16,364</u>

4. REVENUE AND OTHER REVENUE

The principal activities of the Group are (i) the distribution of natural supplementary products, (ii) provision of lottery-related hardware and software systems, (iii) distribution of edible oil, (iv) holding profit sharing right of oil field, (v) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connected and (vi) provision of Karaoke CMS services and licence fee collection business.

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

Revenue recognized during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Distribution of natural supplementary products	793	2,707	-	-	793	2,707
Provision of lottery-related hardware and software systems	42,843	35,715	-	-	42,843	35,715
Distribution of edible oil	18,292	39,562	-	-	18,292	39,562
Gas related	-	-	106,803	65,793	106,803	65,793
Provision of Karaoke CMS services and licence fee collection business	22,889	226	-	-	22,889	226
Sales of goods	262	82	-	-	262	82
	<u>85,079</u>	<u>78,292</u>	<u>106,803</u>	<u>65,793</u>	<u>191,882</u>	<u>144,085</u>

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenue						
Interest income	3,420	3,200	605	657	4,025	3,857
Others	5,145	1,333	521	422	5,666	1,755
	8,565	4,533	1,126	1,079	9,691	5,612

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:						
– borrowings wholly repayable within five years	3,166	1,989	–	50	3,166	2,039
– borrowings wholly repayable after five years	–	–	5,454	4,348	5,454	4,348
– convertible bonds	57,492	35,487	–	–	57,492	35,487
	60,658	37,476	5,454	4,398	66,112	41,874

6. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss before taxation has been arrived at after charging (crediting):						
Staff costs (excluding directors' emoluments):						
– Wages and salaries	19,691	12,431	6,818	5,217	26,509	17,648
– Retirement benefits scheme contributions	901	297	–	–	901	297
Total staff costs	20,592	12,728	6,818	5,217	27,410	17,945
Cost of inventories sold (<i>Note a</i>)	40,473	46,707	80,729	47,660	121,202	94,367
Auditors' remuneration						
– Provided for the year	1,587	1,456	14	12	1,601	1,468
– Underprovision in last year	268	–	–	–	268	–
Depreciation of property, plant and equipment (<i>Note b</i>)	14,595	11,131	19,748	17,706	34,343	28,837
Amortization of prepaid lease payments	–	–	466	461	466	461
Share option expenses	–	8,538	–	–	–	8,538
Impairment loss on goodwill	–	–	31,761	–	31,761	–
Minimum lease payments under operating leases:						
– Land and buildings	4,677	3,107	101	421	4,778	3,528
Loss on disposal of property, plant and equipment	331	31	3	–	334	31
Allowances for doubtful receivable	697	4,992	–	856	697	5,848
Amortization of other intangible assets	1,326	1,943	–	–	1,326	1,943
(Gain) loss on disposal of associates	(15)	–	7	–	(8)	–
Provision for obsolete inventories	37	438	–	–	37	438
(Gain) loss on changes in fair value of derivative financial instruments (<i>Note c</i>)	(25,629)	13,347	–	–	(25,629)	13,347
Loss arising from settlement of financial liabilities by issuing of shares	–	2,810	–	–	–	2,810
Loss on deemed disposal of a subsidiary held by a jointly controlled entity	–	–	–	7	–	7
Bad debts written off	1,623	–	–	–	1,623	–
Inventories written off	191	–	–	–	191	–
Gain on disposal of a subsidiary held by a joint controlled entity	(1,158)	–	–	–	(1,158)	–
Exchange losses (gain), net	175	(8,685)	–	–	175	(8,685)

Note a: For the year ended 30 June 2009, cost of inventories included approximately of HK\$16,499,000 (2008: HK\$10,583,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above in note 6 for each of these types.

Note b: Included in the depreciation of approximately HK\$34,343,000 (2008: HK\$28,837,000) was an amount of approximately HK\$16,499,000 (2008: HK\$10,583,000) capitalized in cost of inventories sold during the year. The amount of approximately HK\$16,499,000 (2008: HK\$10,583,000) was included in cost of inventories sold of approximately HK\$121,202,000 (2008: HK\$94,367,000).

Note c: Arising from convertible bonds, please refer to note 18.

7. INCOME TAX EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:						
Current year						
Hong Kong Profits Tax	-	-	-	-	-	-
Other jurisdictions	1,970	2,306	1,485	1,953	3,455	4,259
	<u>1,970</u>	<u>2,306</u>	<u>1,485</u>	<u>1,953</u>	<u>3,455</u>	<u>4,259</u>
Over-provisions in prior years						
Hong Kong Profits Tax	-	-	-	-	-	-
Other jurisdictions	(821)	-	-	(2,368)	(821)	(2,368)
	<u>(821)</u>	<u>-</u>	<u>-</u>	<u>(2,368)</u>	<u>(821)</u>	<u>(2,368)</u>
Income tax expenses charged (credited) for the year	<u>1,149</u>	<u>2,306</u>	<u>1,485</u>	<u>(415)</u>	<u>2,634</u>	<u>1,891</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit derived in Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC jointly controlled entities of the Company are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit making year of operation and thereafter, these PRC entities will be entitled to a 50% relief from PRC for the following three years ("Tax Preference").

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and will affect the PRC group entities of the Company from 1 January 2008.

Entities that originally enjoy the Tax Preference can continue enjoying the Tax Preference based on the original tax rate until after the expiration of the Tax Preference. Entities that did not start Tax Preference before 2008 because they were still in loss position shall start the Tax Preference from 2008.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2009, nor has any dividend been proposed since the balance sheet date (2008: HK\$Nil).

9. 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 Joint Venture and Hunan Joint Venture for the consideration of RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively. Changde Joint Venture and Hunan Joint Venture together refer as a Disposal Group.

Details of the assets and liabilities disposed of are disclosed in note 15.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year from discontinued operations		
Revenue and other revenue	107,929	66,872
Expenses	(135,001)	(71,323)
	<hr/>	<hr/>
Loss before taxation	(27,072)	(4,451)
Income tax expenses	(1,485)	415
	<hr/>	<hr/>
Loss for the year from discontinued operations	(28,557)	(4,036)
	<hr/> <hr/>	<hr/> <hr/>
Cash flows from discontinued operations		
Net cash inflows from operating activities	22,925	18,871
Net cash outflows from investing activities	(27,686)	(29,659)
Net cash inflows (outflows) from financing activities	6,355	(5,009)
	<hr/>	<hr/>
Net cash inflows (outflows)	1,594	(15,797)
	<hr/> <hr/>	<hr/> <hr/>

10. LOSS PER SHARE

For continuing and discontinued operations

The calculation of basic loss per share is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(100,643)</u>	<u>(116,405)</u>
Number of shares		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,220,582</u>	<u>1,449,641</u>

No diluted loss per share has been presented in both years, 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 continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity share holders of the parent is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the parent	(100,643)	(116,405)
Less: Loss for the year attributable to the equity holders of the Company from discontinued operations	<u>(28,557)</u>	<u>(4,036)</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(72,086)</u>	<u>(112,369)</u>

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operations

Loss per share for the discontinued operations is HK0.89 cent per share (2008: HK0.28 cent per share), based on the loss for the year from the discontinued operations of approximately HK\$28,557,000 (2008: HK\$4,036,000) and the denominators detailed above for basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Gas distribution network <i>HK\$'000</i>	Gas storage equipment <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST									
At 1 July 2007	18,876	157,374	10,041	7,260	42,623	1,108	5,995	4,056	247,333
Additions	254	9,637	-	1,086	-	910	2,166	138	14,191
Acquired on acquisition of subsidiaries	-	-	-	7,884	-	334	721	-	8,939
Transfer from construction in progress	1,520	15,022	-	9,089	-	-	-	-	25,631
Deemed disposal of a subsidiary held by a jointly controlled entity	(50)	(1,818)	(160)	(17)	-	-	(54)	-	(2,099)
Disposal	-	-	-	(41)	-	-	-	-	(41)
Exchange realignment	2,009	16,602	1,056	915	4,549	8	385	448	25,972
At 30 June 2008 and at 1 July 2008	22,609	196,817	10,937	26,176	47,172	2,360	9,213	4,642	319,926
Additions	-	6,133	3	7,878	1,798	-	2,906	142	18,860
Transfer from construction in progress	640	20,592	-	5,783	-	-	-	-	27,015
Disposal	-	-	-	(131)	-	-	(1,197)	-	(1,328)
Disposal of a subsidiary held by a jointly controlled entity	-	-	-	(852)	-	-	-	-	(852)
Exchange realignment	(43)	(370)	(21)	(82)	(88)	(1)	(13)	(8)	(626)
Reclassified as held for sale	(14,890)	(223,172)	(10,919)	(21,643)	-	-	(3,998)	-	(274,622)
At 30 June 2009	8,316	-	-	17,129	48,882	2,359	6,911	4,776	88,373
DEPRECIATION									
At 1 July 2007	745	3,332	280	710	3,939	552	1,012	1,066	11,636
Charged for the year	867	14,640	1,122	1,876	7,844	466	1,164	858	28,837
Deemed disposal of a subsidiary held by a jointly controlled entity	(1)	(43)	(8)	(2)	-	-	(3)	-	(57)
Eliminated on disposals	-	-	-	(10)	-	-	-	-	(10)
Exchange realignment	128	1,174	92	136	860	7	63	192	2,652
At 30 June 2008 and at 1 July 2008	1,739	19,103	1,486	2,710	12,643	1,025	2,236	2,116	43,058
Charged for the year	1,039	16,147	776	4,789	8,327	637	1,690	938	34,343
Eliminated on disposals	-	-	-	(63)	-	-	(645)	-	(708)
Eliminated on disposal of a subsidiary held by a jointly controlled entity	-	-	-	(51)	-	-	-	-	(51)
Exchange realignment	(6)	(62)	(4)	(16)	(36)	(1)	(6)	(5)	(136)
Reclassified as held for sale	(1,128)	(35,188)	(2,258)	(3,127)	-	-	(1,102)	-	(42,803)
At 30 June 2009	1,644	-	-	4,242	20,934	1,661	2,173	3,049	33,703
NET BOOK VALUES									
At 30 June 2009	6,672	-	-	12,887	27,948	698	4,738	1,727	54,670
At 30 June 2008	20,870	177,714	9,451	23,466	34,529	1,335	6,977	2,526	276,868

The leasehold land and buildings of the subsidiary is located in the PRC and held under medium lease term.

Depreciation provided for the year within the Group after reclassified as held for sale included HK\$29,000 from discontinued operations expenses.

At 30 June 2009, none of the Group's property, plant and equipment was held under finance lease (2008: HK\$Nil).

12. INTEREST IN ASSOCIATES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost of unlisted investment	2,127	1,982
Share of post-acquisition profits (losses)	124	(40)
Disposal	(2,251)	–
Exchange realignment	–	185
	<hr/>	<hr/>
At 30 June	–	2,127
	<hr/> <hr/>	<hr/> <hr/>

The Group has interests in the following associates:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Group		Nature of business
				2009	2008	
深圳市博眾技術服務有限公司 (Note a) (Shenzhen Bozone Technology Services Co. Ltd.)	Limited liability Company	PRC	Registered capital	–	24.99%	Provision of lottery-related hardware and software systems
臨澧華油燃氣有限公司 (Note b) (Linli Huayou Gas Co., Ltd.)	Limited liability Company	PRC	Registered capital	–	23.49%	Distribution of natural gas

Note a: Shenzhen Bozone Technology Services Co. Ltd. (“Bozone Technology”) was deregistrated during the year.

Note b: For the year ended 30 June 2008, Linli Huayou Gas Co., Limited (“Linli”) is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited (“Changde Joint Venture”), which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Joint Venture was decreased to 48.61% and Linli became an associate of the Group. Changde Joint Venture disposed its equity interest in Linli in November 2008.

	2009		
	Bozone Technology 1-July-2008 to date of deregistration HK\$'000	Linli 1-July-2008 to date of disposal HK\$'000	2008 HK\$'000
Total assets	573	9,542	9,958
Total liabilities	(6)	(973)	(964)
Net assets	<u>567</u>	<u>8,569</u>	<u>8,994</u>
The Group's share of associates' net assets	<u>278</u>	<u>2,013</u>	<u>2,127</u>
Revenue	<u>-</u>	<u>1,719</u>	<u>2,838</u>
Profit (loss) for the year	<u>-</u>	<u>526</u>	<u>(170)</u>
The Group's share of result of associates	<u>-</u>	<u>124</u>	<u>(40)</u>

In November 2008, Changde Joint Venture disposed its equity interest in Linli, at a consideration of approximately HK\$4,145,000.

Loss on disposal of Linli of approximately HK\$7,000 was shared by the Group. Up to the date of disposal of Linli, the Group shared Linli's profit of approximately HK\$124,000 for the year ended 30 June 2009. Gain on disposal of Bozone Technology of approximately HK\$15,000 was recorded by the Group.

13. INVENTORIES

	2009 HK\$'000	2008 HK\$'000
Raw materials and consumables	486	2,450
Finished goods	<u>1,937</u>	<u>4,462</u>
	<u>2,423</u>	<u>6,912</u>

All inventories are stated at cost.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	9,860	16,047
Other receivables and prepayments	51,697	104,288
	61,557	120,335
Less: Allowances for doubtful receivable	(5,517)	(5,848)
At 30 June	56,040	114,487

Payment terms with customers are mainly on credit. Invoices are normally payable within 180 days of issuance. The following is an aged analysis of trade receivables at the balance sheet dates:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 to 30 days	5,061	6,873
31 to 60 days	737	4,077
61 to 365 days	3,298	3,708
Over 1 year	764	1,389
	9,860	16,047

The trade receivables with carrying amount of approximately HK\$8,149,000 (2008: HK\$14,658,000) are neither past due nor impaired at the reporting date.

The Group has policies for allowances for doubtful receivable which are based on the evaluation of collectibility and age analysis of accounts and on the management's judgement including the credit creditworthiness, collaterals and the past collection history of each customer.

Movement in the allowances for doubtful receivable:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at the beginning of the year	5,848	–
Charged for the year – trade receivables	344	1,051
Amount written off as uncollectible	(172)	–
Amount recovered during the year – trade receivables	(100)	–
Charged for the year – other receivables	353	4,797
Exchange adjustments	46	–
Reclassified as parts of disposal group of asset held for sale	(802)	–
At 30 June	5,517	5,848

Included in the Group's trade receivable with a carrying amount of approximately HK\$416,000 (2008: HK\$338,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

Other receivables and prepayments included:

- (a) Prepayments for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK\$34 million (2008: HK\$34 million) from discontinued operations.
- (b) Deposits for investment in a jointly controlled entity of approximately HK\$Nil (2008: HK\$4.7 million).
- (c) Deposits held in securities dealer of a jointly controlled entity of approximately HK\$Nil (2008: HK\$16 million).
- (d) Prepayment of professional fees for investments of approximately HK\$Nil (2008: HK\$25.1 million).

The fair value of the Group's trade and other receivables and prepayments at 30 June 2009 was approximate to the corresponding carrying amount.

15. NON-CURRENT ASSETS HELD FOR SALE

	2009
	<i>HK\$'000</i>
Assets related to the gas related business classified as held for sale	350,193
	<hr/>
Liabilities of the gas related business associated with assets classified as held for sale	123,825
	<hr/>
Net assets of the gas related business classified as held for sale	226,368
	<hr/> <hr/>
Reserve of the gas related business classified as held for sale	19,990
	<hr/> <hr/>

Note: The Group has entered into an agreement to dispose of its gas related business. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	2009
	<i>HK\$'000</i>
Property, plant and equipment (<i>Note</i>)	231,819
Construction in progress	2,877
Goodwill	49,454
Prepaid lease payments	15,775
Prepayments, deposits and other receivables	8,513
Accounts receivables	1,181
Inventories	1,714
Bank balances and cash	38,860
	<hr/>
Assets related to the gas related business classified as held for sale	350,193
	<hr/>
Accounts payables	4,713
Accrued liabilities and other payables	8,900
Tax liabilities	1,503
Bank and other borrowings (<i>Note</i>)	108,709
	<hr/>
Liabilities of the gas related business associated with assets classified as held for sale	123,825
	<hr/>
Net assets of the gas related business classified as held for sale	226,368
	<hr/> <hr/>
Reserve of the gas related business classified as held for sale	19,990
	<hr/> <hr/>

Note: The Disposal Group has pledged gas distribution network having a carrying amount of approximately HK\$117,278,000 to secure bank borrowings granted to the Disposal Group.

In addition, leasehold buildings included in property, plant and equipment are located in the People's Republic of China and held under medium term lease.

Borrowings of approximately HK\$15,105,000 is secured by corporate guarantee from a shareholder of a jointly controlled entity, interest charged at 2.55% per annum and has fixed repayment term.

Borrowing of approximately HK\$59,907,000 is secured by gas network of a jointly controlled entity, interest charged at 5.508%-5.751% per annum and has fixed repayment term.

Borrowing of approximately HK\$33,697,000 is unsecured, interest charged at 4.779%-5.67% per annum and has fixed repayment term.

16. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables	13,315	6,823
Other payables	44,766	59,270
	<hr/>	<hr/>
At 30 June	58,081	66,093
	<hr/> <hr/>	<hr/> <hr/>

The following is an aged analysis of trade payables at the balance sheet dates:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 to 30 days	76	27
31 to 120 days	3,776	–
121 to 180 days	9,358	169
181 to 365 days	105	2,885
Over 1 year	–	3,742
	<hr/>	<hr/>
At 30 June	13,315	6,823
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade and other payables at 30 June 2009 was approximate to the corresponding carrying amount.

17. BANK AND OTHER BORROWINGS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other loans, unsecured (<i>Note a</i>)	36,145	83,246
Other loan, secured	–	17,474
Bank loans, secured	–	60,020
Bank loan, unsecured	–	20,256
	<hr/>	<hr/>
At 30 June	36,145	180,996
	<hr/> <hr/>	<hr/> <hr/>

The Group's borrowings are repayable as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
On demand or within one year	16,500	66,745
More than one year, but not exceeding two years	19,645	63,704
Two to five years	–	40,054
Over five years	–	10,493
	<hr/>	<hr/>
	36,145	180,996
Less: Amount due within one year shown under current liabilities	(16,500)	(66,745)
	<hr/>	<hr/>
Amount due after one year	19,645	114,251
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's borrowings at 30 June 2009 was approximate to the corresponding carrying amount.

Note:

- a. Borrowings of approximately HK\$16,500,000 is interest bearing at 2-3% over prime rate, unsecured and repayable in next twelve months.

Borrowings of approximately HK\$19,645,000 is unsecured, interest bearing at prime rate and not repayable in next twelve months.

Bank and other borrowings of approximately HK\$108,709,000 were reclassified to liabilities of the gas related business associated with assets classified as held for sale.

The details of the Group's borrowings which are denominated in foreign currencies are set out as below:

	RMB HK\$'000 equivalent
At 30 June 2009	–
At 30 June 2008	97,750

18. CONVERTIBLE BONDS

- (a) On 22 November 2006, the subsidiary of the Company, Aptus Holdings Limited (“Aptus”) issued convertible bonds due on 21 November 2011 with a principal amount of HK\$234,000,000, which is with a gross yield at 11% per annum, calculated in a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in the Changde Joint Venture, 33% equity interest in the Hunan Joint Venture and general working purposes.

On 28 August 2009, the Company and Evolution, the sole beneficial owner have entered into a deed of undertaking as follows:

- (a) in consideration of the undertaking given by the Company referred to in paragraph (b) below, Evolution irrevocably and unconditionally undertakes to the Company that it will not exercise its conversion right under the convertible bonds; and
- (b) in consideration of the undertaking given by Evolution referred to in paragraph (a) above, the Company irrevocably and unconditionally undertakes to Evolution that when the Redemption Amount is Available for Redemption, it will be applied to redeem the convertible bonds.

On each of 21 November 2009 and 21 November 2010 (each a “Put Option Date”), each bondholder will have the right to require Aptus to redeem in whole or in part of the convertible bonds of such bondholder(s) on the Put Option Date together with interest accrued to the Put Option Date.

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 flows 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 a Company's reserve account.

The Directors had assessed the fair values of the early redemption rights and considered the fair value is insignificant.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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
Interest paid	(5,850)	–
Imputed finance cost	85,806	51,036
Non-current liability component as at the balance sheet date	303,244	274,324
	<i>(Note b)</i>	

For details, please refer to the joint announcement of Aptus and the Company dated 9 November 2006, 23 October 2008, 7 January 2009 and 28 August 2009.

- (b) The Company assumed the convertible bonds issued by Grand Promise International Limited 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 Bonds.

Further details of the convertible bonds can also be found in the circular made by the Company dated 14 March 2008.

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 recognized in profit and loss.

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

	Conversion option derivative component <i>HK\$'000</i>	Liability component <i>HK\$'000</i>
At 1 July 2008	100,861	196,773
Imputed finance cost	–	22,722
Changes of fair value	(25,629)	–
	<hr/>	<hr/>
At 30 June 2009	75,232	219,495
	<hr/> <hr/>	<hr/> <hr/>
	<i>(Note a)</i>	<i>(Note b)</i>

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

Note b: Total of approximately of HK\$522,739,000 (2008: HK\$471,097,000) is recorded as non-current liabilities.

19. EVENT AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, on 3 July 2009, the Company has redeemed part of the relevant note, being approximately US\$3,370,000 (equivalent to approximately HK\$26,286,000) in the case of the Evolution Note and approximately US\$8,420,000 (equivalent to approximately HK\$65,676,000) in the case of Liberty Harbour Note. The redemption price of principal amount to be redeemed plus a yield of 7% per annum, compounded semi-annually, on the amount redeemed, commencing on the date of the issuance of the note and including the relevant redemption date subject to currency conversion in accordance with the terms of the relevant note.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

On 24 April 2009, Aptus entered into agreements relating to the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture and the termination of profit sharing rights for the Xin Jiang Oilfield. Financial information regarding the Natural Gas Joint Ventures and the profit sharing rights for Year 2009 has been classified as discontinued operations and the comparative figures for Year 2008 has been restated accordingly.

Turnover

The Group recorded a turnover from continuing operations of approximately HK\$85,079,000 for Year 2009, an increase of approximately 8.7% as compared to approximately HK\$78,292,000 for Year 2008.

Turnover from our continuing operations such as the Karaoke CMS operation and lottery-related operations has exhibited commendable growth while the turnover of our edible oil trading business contracted due to much tougher market conditions.

The attributable turnover from the Karaoke CMS operations increased by approximately 100 times from approximately HK\$226,000 recorded for only approximately 3 months ended 30 June 2008 to approximately HK\$22,889,000 recorded for the 12 months ended 30 June 2009, this was attributable to a full year's result for Year 2009 as compared to only approximately 3 months for the previous financial year as well as the Karaoke CMS operations gaining momentum in terms of set-top box installation and copyright fee collections.

The turnover from our lottery-related operations increased by approximately 20.0% from approximately HK\$35,715,000 in Year 2008 to approximately HK\$42,843,000 in Year 2009, this was mainly attributed to higher contributions from our lottery-related operations in Zhejiang province, the PRC.

The turnover from our edible oil trading business decreased by approximately 53.8% from approximately HK\$39,562,000 in Year 2008 to approximately HK\$18,292,000 in Year 2009, due to the continuous increase in the price of consumer goods thus reducing margins and demand.

Gross Profit

The details of gross profit and gross profit ratio of the Group for continuing operations are as follows:

	2009		2008	
	Gross Profit HK\$'000	Gross Profit Ratio %	Gross Profit HK\$'000	Gross Profit Ratio %
Karaoke CMS and license fee collection business	7,296	31.9	197	87.2
Lottery-related	37,224	86.9	30,314	84.9
Trading of edible oil	46	0.3	253	0.6
Others	40	3.8	821	29.4
Overall	<u>44,606</u>	<u>52.4</u>	<u>31,585</u>	<u>40.3</u>

Loss From Discontinued Operations

Loss from discontinued operations of approximately HK\$28,557,000 represented net result of the Group's share of net profit of the Natural Gas Joint Ventures for Year 2009 of approximately HK\$3,616,000, net loss of termination of the profit sharing rights of approximately HK\$412,000 and impairment loss on goodwill of approximately HK\$31,761,000. Loss from discontinued operations for Year 2008 of approximately HK\$4,036,000 only represented the Group's share of net loss of the Natural Gas Joint Ventures of approximately HK\$3,196,000 and net loss of termination of the profit sharing rights of approximately HK\$840,000.

The result of the Natural Gas Joint Ventures improved over Year 2009. The Group's share of the Natural Gas Joint Ventures' net profit for Year 2009 was approximately HK\$3,616,000 while that of net loss of approximately HK\$3,196,000 was recorded in Year 2008. The improvement in the performance was principally attributable to the increases in the Changde Joint Venture's end users and the number of distribution stations of Hunan Joint Venture.

On 24 April 2009, Aptus entered into agreements to dispose of its equity in the Natural Gas Joint Ventures. The disposal transactions have been completed in September 2009. Gain on disposal of the Natural Gas Joint Ventures is to be recorded in the Group's quarterly report for the three months ending 30 September 2009.

The Group's overall gross profit ratio from continuing operations increased from 40.3% in Year 2008 to 52.4% in Year 2009. With regards to the Karaoke CMS and license fee collection operations, the gross profit ratio was 31.9% for the 12 months ended 30 June 2009 as compared to 87.2% recorded for only approximately 3 months ended 30 June 2008. On the lottery-related side, the gross profit ratio remained rather stable.

With regards to the edible oil trading business, as mentioned previously, weak economic conditions have hampered the growth of this sector. As a result, the gross profit ratio for Year 2009 was 0.3% as compared to 0.6% for Year 2008.

Operating Costs (Continuing Operations)

The Group's operating costs, comprising selling and distribution costs and administrative expenses, decreased by approximately HK\$8,265,000 from approximately HK\$91,967,000 in Year 2008 to approximately HK\$83,702,000 this year. The decrease was mainly attributable to the net effect of (i) decrease in legal and professional fees from approximately HK\$31,075,000 (mainly for the acquisition of Grand Promise) in Year 2008 to approximately HK\$5,893,000 in Year 2009 (mainly for the restructuring of the convertible bonds); (ii) increase in depreciation expenses from approximately HK\$10,723,000 in Year 2008 to approximately HK\$13,085,000 in Year 2009, the increase in depreciation was mainly attributable

to the incorporation of a full year depreciation charge for the assets concerning the Karaoke CMS operations whereas only partial year was charged in Year 2008; (iii) increase in salaries and allowance from approximately HK\$20,426,000 in Year 2008 to approximately HK\$31,355,000 in Year 2009 due to the expansion of the Karaoke CMS operation and increase in overall pay scale; (iv) decrease in loss on arising from settlement of financial liabilities by issuing shares from approximately HK\$2,810,000 in Year 2008 to approximately HK\$Nil in Year 2009; (v) increase in traveling expenses from approximately HK\$1,980,000 in Year 2008 to and approximately HK\$4,476,000 in Year 2009 due to more business traveling to and from the PRC and within the PRC; (vi) an increase in rent and rate from approximately HK\$3,389,000 in Year 2008 to approximately HK\$5,704,000 in Year 2009 due to the expansion of the Karaoke CMS operation; and (vii) overall increase in operation costs.

Finance Costs

The increase in finance costs from continuing operations in Year 2009 of about HK\$23,182,000, from approximately HK\$37,476,000 in Year 2008 to approximately HK\$60,658,000 in Year 2009, was mainly attributable to the increase in imputed finance costs of the convertible bonds of the Company (convertible bonds were assumed in April 2008 through the acquisition of Grand Promise) and of the convertible bonds of Aptus, which were issued by Aptus in November 2006. The imputed finance costs of the convertible bonds increased due principally to the fact that only approximately 3 months interest were charged to China Vanguard's financial statements in Year 2008 against a full year charge this year and the currency conversion with regards to the Grand Promise convertible bonds.

DEVELOPMENT

Summary of major achievements:

- CCDDT's Excellent Union began formal collection of copyright fees from karaoke venues on behalf of CAVCA and IP Owners in mid 2008. By September 2008, Excellent Union had arranged to collect such fees in Yunnan, Henan and Sichuan. Meanwhile, CCDDT expanded its Karaoke CMS installation to 28 provinces in the PRC.
- Excellent Union accelerated its copyright fee collection from 3 provinces in September 2008 to 16 provinces in the PRC. Meanwhile, CCDDT expanded its Karaoke CMS installation to 29 provinces in the PRC.
- Excellent Union collected copyright fees in 19 provinces in the PRC, up from 16 provinces in December 2008. Meanwhile, CCDDT expanded its Karaoke CMS installation to all provinces in the PRC.

- Aptus and China Vanguard announced Aptus' disposal of its interests in the Changde Joint Venture and the Hunan Joint Venture for a total consideration of approximately RMB355,144,000 (approximately HK\$402,984,000) and the termination of the Aptus' profit sharing rights with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK\$45,226,000). An Aptus EGM was held on 10 July 2009 and approval was obtained from Aptus shareholders to approve the respective disposals and termination.
- Excellent Union collected copyright fees in 22 provinces in the PRC, up from 19 provinces in March 2009. Meanwhile, CCDDT continued its Karaoke CMS installation to all the provinces in the PRC.

Karaoke CMS Operations

“The PRC government is placing increasing importance in the management and protection of intellectual property to promote the strong healthy growth and development of the cultural industry....”

CCDDT has obtained the authorization from the Ministry of Cultural Market Development Center (文化部文化市場發展中心) to establish the Karaoke CMS, a scientific and modernized way to manage and protect cultural intellectual properties. The Group is also in cooperation with the China Audio and Video Copyright Association (中國音像著作權集體管理協會) (“CAVCA”) (the body which collectively manages copyright of audio and video programmes for IP Owners), by using a technological method, which is via the Karaoke CMS, to realize the commercialization of copyright of karaoke programmes and provide a transaction platform for IP Owners and the copyright users.

During Year 2009, Excellent Union and its subsidiaries have collected approximately HK\$86,476,000 in copyright fees from 23 provinces in the PRC. Copyright fees are not only being collected on a current basis, but also retrospectively back to 1 January 2007. Meanwhile, CCDDT (a PRC sino-foreign joint venture of the Company) has expanded the Karaoke CMS installation to all provinces in the PRC. By 30 June 2009, over 2,200 karaoke venues have installed and connected to the Karaoke CMS. All karaoke venues that are utilizing audio and video programs with intellectual properties in their operations are required to pay copyright fees to CAVCA and the IP Owners. Copyright fees will be charged using two models during the rollout of the Karaoke CMS, namely on a “Pay-Per-Play” basis and “Standard Rate” basis. Fee schedules are determined by the installation status between the karaoke venues and the Karaoke CMS. For those karaoke venues connected to the Karaoke CMS, they should pay copyright fees on a “Pay-Per-Play” basis utilizing statistics recorded by the set-top box, which has been installed as part of the Karaoke CMS installation, as the billing basis. Meanwhile those karaoke venues which are not connected to the Karaoke CMS should pay copyright fees on “Standard Rate” basis i.e. they shall

pay a standard per room per day fee based on the fee schedule which is published annually by CAVCA. Consequently, Excellent Union can collect copyright fees from such karaoke venues on behalf of CAVCA and the IP Owners even if such venues have not installed the Karaoke CMS. The management of CCDDT and Excellent Union are working hard on rolling out of the Karaoke CMS and on copyright fee collection. As of the date of this announcement, the Group has met all the 2008 targets and is within reach to achieving the 2009 targets as set out in the business plan in the acquisition circular of Grand Promise dated 14 March 2008.

Further to this, significant progress is being achieved on the Karaoke CMS value-added services front which is expected to enhance karaoke venue revenues while providing additional services to their patrons. During this financial year, CCDDT Group has, in conjunction with video-on-demand suppliers, jointly developed a value-added service system which can cater for welfare lottery sales and spot commercials in karaoke venues. CCDDT Group has installed the Karaoke CMS with the welfare lottery sales and spot commercials functions in a number of karaoke venues in Chongqing, the PRC as pilot programs. The expandability and flexibility of the Karaoke CMS can support the provision of additional value-added services in the future. Feedback for this value-added service from both venues and patrons has been very positive. CCDDT Group will continue the installation of the Karaoke CMS with the functions of welfare lottery sales and spot commercials in karaoke venues in the rest of Chongqing and will further expand to other provinces in the PRC.

For Year 2009, the revenue contribution to the Group from Karaoke CMS operations was approximately HK\$22,889,000, an increase by about 100 times from approximately HK\$226,000 recorded for only approximately 3 months for the previous financial year.

PRC Lottery-Related Operations

“As PRC’s welfare lottery industry continues to develop, revenues will rise as well as the need for more advanced technology software and equipment and support services ...”

Bozone Group, currently ranked as the third largest lottery solution and transaction system related service provider to the welfare lottery industry in the PRC, is currently servicing over 13,000 point of sales terminals for the Welfare Lottery Centers of Shenzhen, Heilongjiang and Zhejiang. The combined lottery sales of these three regions for the calendar year 2008 totaled approximately RMB 6.3 billion, an increase of about 8.6%, as compared to approximately RMB 5.8 billion for the calendar year 2007.

In addition to providing maintenance services, Bozone Group also provides other services to the three Welfare Lottery Centers. The range of services which the Bozone Group can provide includes software developments, integration of network systems,

network security solutions, lottery operation solutions and services, and research and development into and supply of point of sales terminals.

For Year 2009, the revenue contribution to the Group from Bozone Group was approximately HK\$42,843,000, an increase of about 20.0% as compared to approximately HK\$35,715,000 for the previous twelve months ended 30 June 2008 (“Year 2008”).

Aptus Holdings Limited

“Aptus is restructuring its operations to substantially improve its financial position. The Group is committed to increasing value for its shareholders...”

Aptus entered into agreements relating to the disposals of the equity interests in the Change Joint Venture and the Hunan Joint Venture. The sales proceeds from the disposals of the Natural Gas Joint Ventures represent a return of approximately 92.3% in less than 3 years and will improve the overall working capital condition of Aptus and provide funding for other investment opportunities. In the extraordinary general meeting held on 10 July 2009, the shareholders of Aptus granted the approval for such disposals. As of the date of this announcement, the disposals were completed.

Aptus is also involved in the trading of edible oil via its non-listed Singapore subsidiary. The crude palm oil traded by Aptus is recognized as healthier than animal fat, which is higher in cholesterol, and appreciated by today’s health conscious society. This financial year, weak economic conditions have hampered the growth of this sector. As a result, for Year 2009, the revenue contribution to the Group from the trading of edible oil was approximately HK\$18,292,000, a decrease of about 53.8% as compared to approximately HK\$39,562,000 for Year 2008.

FUTURE OUTLOOK AND PROSPECTS

Upon completion of the disposals of the Natural Gas Joint Ventures, the Group’s principal activities would consist: (i) provision of the Karaoke CMS and license fee collection business; (ii) engaging in lottery-related businesses in the PRC; (iii) trading of edible oil via Aptus and (iv) distribution of natural supplementary products.

PRC’s cultural industry is likely to become one of the fastest growing and most dynamic sectors of the PRC economy and we believe that China Vanguard has established a unique and beneficial position in PRC’s cultural industry. For Year 2009, Excellent Union collected approximately HK\$86,476,000 in copyright fees on behalf of CAVCA and IP Owners and we believe that this is just the beginning and the future revenue potential to the Group from these operations is very bright. In addition, having access to over 2.4 million karaoke rooms in the PRC provides a very large and focused audience base for CCDDT Group to develop and tailor-make value-

added services such as the welfare lottery sales and spot commercials functions, as mentioned above, and advertising services, which potentially will become an important and large income source for the Group in the future.

It is also management's intention to explore other intellectual properties and cultural related areas in the PRC by using the synergies and opportunities provided by the Karaoke CMS operations to help diversify the overall business risks of the Group and enhance the returns to the shareholders.

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

Following the restructuring at Aptus, which will substantially improve its financial position, its operations for the meantime would consist of its edible oil trading operations. These operations are expected to improve on the back of increasing health consciousness and as the global economic conditions recover. Management envisions Aptus' edible oil trading business to not only be able to regain the temporary loss in revenue experienced in Year 2009, but to extend beyond. Meanwhile, the management of the Aptus has identified a number of attractive business opportunities and are in varying stages of due diligence. Aptus is currently working hard to bring new opportunities to fruition.

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

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2009, the Company and its subsidiaries employed 32 staff in Hong Kong, and 109 staff in the PRC; and the Group's jointly controlled entities employed 653 staff in the PRC. Staff costs from continuing operations excluding directors' remuneration amounted to approximately HK\$20,592,000 (2008: HK\$12,728,000). Employee remuneration is determined by reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, shareholders' funds excluding assets and liabilities classified as held for sale amounted to approximately HK\$1,944,506,000 (2008: HK\$2,268,311,000). Current assets excluding assets classified as held for sale amounted to approximately HK\$294,768,000 (2008: HK\$420,164,000), mainly comprising of bank balances and cash and trade and other receivables and prepayments. The Group had current liabilities excluding liabilities classified as held for sale amounting to approximately HK\$150,976,000 (2008: HK\$234,238,000), mainly comprising of its trade and other payables, derivative financial instruments and other borrowings. The Group has no bank borrowings excluding bank borrowings classified as held for sale as at 30 June 2009 (2008: HK\$80,276,000). The Group financed its operations primarily with internally generated cash flows, and banking facilities granted by a bank. The net asset value per share of the Company excluding assets and liabilities classified as held for sale was approximately HK\$0.61 (2008: HK\$0.70). The gearing ratio was 7.76% (2008: 10.33%) on the basis of current liabilities excluding liabilities classified as held for sale divided by shareholders' funds 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 year. 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.

SIGNIFICANT INVESTMENT

For the year ended 30 June 2009, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

On 24 April 2009, Aptus entered into agreements relating to the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture owned by Aptus. These transactions, together with the termination agreement regarding the Profit Sharing Rights were approved by the shareholders of Aptus in the extraordinary general meeting held on 10 July 2009. For the details of the transactions, please refer to the joint circular of Aptus and the Company and dated 24 June 2009.

In addition, there were disposals of a subsidiary of a jointly controlled entity and associated companies. Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2009.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 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 holders of the convertible bonds previously issued by Grand Promise. By the Deeds of Adherence, on completion of the acquisition of Grand Promise in April 2008, the convertible bonds were taken up by the Company.

As at 30 June 2009, the Group has pledged its bank deposits of approximately HK\$5,110,000 (30 June 2008: HK\$5,033,000) to a bank to secure the general banking facilities granted to the Group.

In addition, borrowings of approximately HK\$59,907,000 which is classified as liabilities held for sale (30 June 2008: HK\$60,020,000) have been secured by the gas network of the Hunan Joint Venture.

As at 30 June 2009, the 100% of the issued share capital of Good United Management Limited (“GUM”), a wholly-owned subsidiary of Aptus, was pledged in favor of the holder(s) of the convertible bonds issued by Aptus on 22 November 2006. GUM held 70% equity interests in CNPC Huayou Cu Energy Investment Co., Limited, which owned the profit sharing rights on Xin Jiang Oilfield.

CAPITAL STRUCTURE

During the year ended 30 June 2009, 16,600 shares were issued due to the exercise of warrants and the cancellation of 23,405,000 shares due to repurchase of shares by the Company.

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.

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

The Company has repurchased a total of 23,405,000 ordinary shares of the Company on the Exchange in September, October, December 2008 and February 2009 for an aggregate amount of approximately HK\$11,410,000 excluding of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchases were as follow:

Date of Repurchase	Number of Shares repurchased	Price per share repurchased	
		Highest (HK\$)	Lowest (HK\$)
26 September 2008	1,475,000	0.5400	0.5300
29 September 2008	1,500,000	0.5400	0.5400
30 September 2008	1,500,000	0.5700	0.5500
2 October 2008	1,060,000	0.5900	0.5800
3 October 2008	30,000	0.6100	0.6100
6 October 2008	1,500,000	0.6300	0.6200
8 October 2008	1,500,000	0.6000	0.5800
9 October 2008	725,000	0.6000	0.6000
10 October 2008	2,500,000	0.5900	0.5200
1 December 2008	1,740,000	0.4200	0.3800
2 December 2008	655,000	0.4100	0.3850
3 December 2008	770,000	0.4200	0.4050
4 December 2008	470,000	0.4250	0.4200
5 December 2008	300,000	0.4200	0.4100
8 December 2008	300,000	0.4250	0.4150
9 December 2008	280,000	0.4400	0.4400
10 December 2008	305,000	0.4450	0.4300
11 December 2008	355,000	0.4500	0.4200
12 December 2008	520,000	0.4550	0.4350
18 December 2008	1,200,000	0.4850	0.4550
19 December 2008	650,000	0.4850	0.4500
22 December 2008	550,000	0.4900	0.4550
23 December 2008	630,000	0.4800	0.4600
24 December 2008	550,000	0.4900	0.4650
17 February 2009	1,420,000	0.2650	0.2500
18 February 2009	230,000	0.2700	0.2550
19 February 2009	590,000	0.2800	0.2550
20 February 2009	100,000	0.2650	0.2600
Total:	<u>23,405,000</u>		

All the repurchased Shares have been cancelled.

Save as disclosed herein, neither the Company, nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2009.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The auditors of the Company included a section of "Emphasis of Matters" in their independent auditors' report, the details of which are as follows:

Without qualifying in our opinions, we would like to draw your attention to note 4 in the financial statements which indicates that the possible early redemption request from the convertible bonds holder to exercise their right on 30 September 2009. These conditions, along with other matters as set forth in note 4 regarding the convertible bonds, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The section in respect of convertible bonds included in note 4 to the consolidated financial statements – Critical Accounting Judgements and Key Sources of Estimation Uncertainty, which explained the circumstances leading to the Auditors' modified opinion above, are as follows:

Referring to the fifth undertaking amendment agreement entered into between the Company and the holder(s) of convertible bonds (the "Bondholders") dated 22 September 2009, each Bondholder will have the right to require the Company to redeem in whole or in part of the convertible bonds of such Bondholder(s) on a Put Option Date 15 business days after 30 September 2009 together with interest accrued to the Put Option Date. Any early redemption request from the Bondholders will cause unexpected cash outflow from the Company and will have an impact on the going concern of the Company. Up to the date of the financial statements approved by the Board, the Company did not receive request from any Bondholder to redeem the convertible bonds on the forthcoming Put Option Date. As such, in the opinion of the directors, the Company did not have going concern problem as at the balance sheet date and the liability portion of the convertible bonds was classified under non-current liabilities.

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 PRACTICE

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.

Except for the deviation from the provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Company has complied all remaining provisions of the Code.

The Code provision A.4.1 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 limits on term of non-executive directorship 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. 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 of conduct regarding securities transactions by the directors throughout the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. 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 audited results for the year ended 30 June 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. Four meetings were held during the current financial year.

The Company has received from each of the three Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the three Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2009.

By order of the Board
China Vanguard Group Limited
Chan Ting
Executive Director

Hong Kong, 28 September 2009

* *For identification purposes only*

As at the date of this announcement, 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the day of its posting and on the website of the Company at www.cvg.com.hk.