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 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

This announcement, for which the 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Vanguard Group Limited . 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.

* *For identification purposes only*

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 2007, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	Notes	**2007** **_HK$'000_**	2006 *HK$'000* (restated)
Continuing operations			
Revenue	*4*	**88,246**	42,995
Cost of sales		**(63,410)**	(37,332)
Gross profit		**24,836**	5,663
Other revenue	*4*	**5,908**	1,930
Selling and distribution costs		**(4,972)**	(2,844)
Administrative expenses		**(134,223)**	(110,112)
Gain on disposal of subsidiaries		**30,635**	–
Gain on partial disposal of subsidiary		**–**	32,349
Loss on disposal of an associate		**–**	(13,106)
Finance costs	*5*	**(24,526)**	(2,701)
Share of results of associates		**–**	18,830
Loss before income tax	*6*	**(102,342)**	(69,991)
Income tax expenses	*7*	**(1,411)**	(5,410)
Loss for the year from continuing operations		**(103,753)**	(75,401)
Discontinued operations			
Profit for the year from discontinued operations		**272**	17,039
Loss for the year		**(103,481)**	(58,362)
Attributable to:			
Equity holders of the Company		**(72,521)**	(39,908)
Minority interests		**(30,960)**	(18,454)
		(103,481)	(58,362)
Loss per share	*9*		
From continuing and discontinued operations			
Basic		**(HK7.75 cents)**	(HK7.47 cents)
From continuing operations			
Basic		**(HK7.78 cents)**	(HK10.66 cents)

CONSOLIDATED BALANCE SHEET
At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	10	**235,697**	17,588
Goodwill		**280,689**	135,061
Other intangible assets		**2,603**	6,586
Interest in associates	11	**238**	238
Prepaid lease payments		**12,496**	–
Construction in progress		**14,004**	–
Deposits made on acquisition of property, plant and equipment		**–**	3,756
		545,727	163,229
Current assets			
Inventories	12	**6,536**	7,436
Trade and other receivables and prepayments	13	**89,656**	90,458
Prepaid lease payments – current portion		**380**	–
Pledged bank deposits		**5,000**	13,308
Bank balances and cash		**204,722**	244,983
		306,294	356,185
Current liabilities			
Trade and other payables	14	**57,528**	30,459
Tax liabilities		**1,422**	99
Bank and other borrowings – due within one year	15	**5,617**	12,505
		64,567	43,063
Net current assets		**241,727**	313,122
Total assets less current liabilities		**787,454**	476,351
Non-current liabilities			
Bank and other borrowings	15	**106,105**	22,500
Convertible bonds		**243,144**	–
		349,249	22,500
Net assets		**438,205**	453,851
Capital and reserves			
Share capital		**9,361**	6,241
Reserves		**416,336**	391,717
Equity attributable to equity holders of the Company		**425,697**	397,958
Minority interests		**12,508**	55,893
Total equity		**438,205**	453,851

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Convertible bonds reserve	Employee share-based compensation reserve	Share option reserve	Translation reserve	Special reserve	Retained profits/ (Accumulated loss)	Total	Minority interests	Total
	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 2005	4,821	80,825	–	–	–	–	(1)	74,997	160,642	10,129	170,771
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	50,917	50,917
Exchange differences arising from acquisition of subsidiaries	–	–	–	–	–	1,935	–	–	1,935	284	2,219
Capital contribution from minority interests	–	–	–	–	–	–	–	–	–	12,791	12,791
Partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	226	226
Shares issued on share award scheme	488	–	–	35,572	–	–	–	–	36,060	–	36,060
Placing of shares	680	139,147	–	–	–	–	–	–	139,827	–	139,827
Shares issued pursuant to sale and purchase agreement	241	69,715	–	–	–	–	–	–	69,956	–	69,956
Recognition of equity-settled share based payments	–	–	–	–	39,399	–	–	–	39,399	–	39,399
Shares issued on exercise of options	11	317	–	–	–	–	–	–	328	–	328
Net loss for the year	–	–	–	–	–	–	–	(39,908)	(39,908)	(18,454)	(58,362)
Dividends paid	–	–	–	–	–	–	–	(10,281)	(10,281)	–	(10,281)
At 30 June 2006	6,241	290,004	–	35,572	39,399	1,935	(1)	24,808	397,958	55,893	453,851

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'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*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
At 1 July 2006	6,241	290,004	–	35,572	39,399	1,935	(1)	24,808	397,958	55,893	453,851
Bonus issue	3,120	(3,120)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	83,347	–	–	–	83,347	–	83,347
Acquisition of jointly controlled entities	–	–	–	–	–	–	–	–	–	737	737
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	3,162	3,162
Recognition of equity components of convertible bonds	–	–	10,712	–	–	–	–	–	10,712	–	10,712
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(7,381)	(7,381)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(10,117)	(10,117)
Reduction on minority holding	–	–	–	–	–	–	–	–	–	(452)	(452)
Exchange differences on translation of financial statement of overseas operations	–	–	–	–	–	6,201	–	–	6,201	1,626	7,827
Net loss for the year	–	–	–	–	–	–	–	(72,521)	(72,521)	(30,960)	(103,481)
At 30 June 2007	9,361	286,884	10,712	35,572	122,746	8,136	(1)	(47,713)	425,697	12,508	438,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements are presented in Hong Kong dollars, being the measurement currency of the Company and its subsidiaries (the "Group").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new and amended Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 July 2006. The application of the new HKFRSs has no material affect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior years adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC)-INT 10	Interim financial reporting and impairment[3]
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions[4]
HK(IFRIC)-INT 12	Service concession arrangements[5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 November 2006
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2008

3. SEGMENT INFORMATION

a. Business segments

Year ended 30 June 2007

	Continuing operations							Discontinued operations		
	Distribution of natural supplementary products *HK$'000*	**Provision of lottery-related hardware and software systems** *HK$'000*	**Sales and distribution of edible oil** *HK$'000*	**Oil mining** *HK$'000*	**Gas related** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*	**Manufacturing and distribution of honey mead** *HK$'000*	**Operation of restaurant** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**2,279**	**28,283**	**42,912**	**–**	**14,743**	**29**	**88,246**	**929**	**2,286**	**91,461**
Segment results	**(664)**	**9,510**	**123**	**(1,187)**	**(1,922)**	**(505)**	**5,355**	**421**	**(107)**	**5,669**
Unallocated income							**15,658**	**–**	**–**	**15,658**
Unallocated expenses							**(129,464)**	**–**	**–**	**(129,464)**
Finance costs							**(24,526)**	**(11)**	**–**	**(24,537)**
Gain on disposal of subsidiairies							**30,635**	**–**	**–**	**30,635**
(Loss) profit before taxation							**(102,342)**	**410**	**(107)**	**(102,039)**
Income tax expenses							**(1,411)**	**(31)**	**–**	**(1,442)**
(Loss) profit for the year							**(103,753)**	**379**	**(107)**	**(103,481)**

Year ended 30 June 2006

	Continuing operations							Discontinued operations		
	Distribution of natural supplementary products *HK$'000*	Provision of lottery-related hardware and software systems *HK$'000*	Sales and distribution of edible oil *HK$'000*	Oil mining *HK$'000*	Gas related *HK$'000*	Others *HK$'000*	Total *HK$'000*	Manufacturing and distribution of honey mead *HK$'000*	Operation of restaurant *HK$'000*	Consolidated *HK$'000*
Revenue	1,321	10,854	30,820	–	–	–	42,995	38,613	–	81,608
Segment results	(16,577)	1,501	(90)	(470)	–	–	(15,636)	19,107	(457)	3,014
Unallocated income							33,000	–	–	33,000
Unallocated expenses							(103,484)	–	–	(103,484)
Share of results of associates							18,830	–	–	18,830
Finance costs							(2,701)	(304)	–	(3,005)
(Loss) profit before taxation							(69,991)	18,803	(457)	(51,645)
Income tax expenses							(5,410)	(1,307)	–	(6,717)
(Loss) profit for the year							(75,401)	17,496	(457)	(58,362)

	Year ended 30 June 2007						
	Distribution of natural supplementary products *HK$'000*	Provision of lottery-related hardware and software systems *HK$'000*	Sales and distribution of edible oil *HK$'000*	Oil mining *HK$'000*	Gas related *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	**66,084**	**75,538**	**1,442**	**30,419**	**265,122**	**3,959**	**442,564**
Unallocated assets							**409,457**
Total assets							**852,021**
LIABILITIES							
Segment liabilities	**882**	**39,258**	**531**	**1,233**	**104,709**	**530**	**147,143**
Unallocated liabilities							**266,673**
Total liabilities							**413,816**

OTHER INFORMATION

	Continuing operations							Discontinued operations		
	Distribution of natural supplementary products *HK$'000*	Provision of lottery-related hardware and software systems *HK$'000*	Sales and distribution of edible oil *HK$'000*	Oil mining *HK$'000*	Gas related *HK$'000*	Others *HK$'000*	Total *HK$'000*	Manufacturing and distribution of honey mead *HK$'000*	Operation of restaurant *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	**688**	**5,188**	**–**	**–**	**4,194**	**246**	**10,316**	**–**	**354**	**10,670**
Amortization of prepaid lease payments	**–**	**–**	**–**	**–**	**152**	**–**	**152**	**–**	**–**	**152**
Capital expenditure	**839**	**41,474**	**–**	**–**	**1,650**	**2,093**	**46,056**	**–**	**564**	**46,620**
Other non-cash expenses	**–**	**–**	**–**	**–**	**–**	**103,203**	**103,203**	**–**	**–**	**103,203**
Impairment of goodwill	**145**	**–**	**–**	**–**	**–**	**–**	**145**	**–**	**–**	**145**
Amortization of other intangible assets	**–**	**1,848**	**–**	**–**	**–**	**–**	**1,848**	**–**	**–**	**1,848**

	Year ended 30 June 2006						
	Distribution of natural supplementary products *HK$'000*	Provision of lottery-related hardware and software systems *HK$'000*	Sales and distribution of edible oil *HK$'000*	Oil mining *HK$'000*	Gas related *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	274,964	44,458	1,298	41,912	–	–	362,632
Unallocated assets							156,782
Total assets							519,414
LIABILITIES							
Segment liabilities	5,374	22,919	519	661	–	–	29,473
Unallocated liabilities							36,090
Total liabilities							65,563

OTHER INFORMATION

	Continuing operations							Discontinued operations		
	Distribution of natural supplementary products *HK$'000*	Provision of lottery-related hardware and software systems *HK$'000*	Sales and distribution of edible oil *HK$'000*	Oil mining *HK$'000*	Gas related *HK$'000*	Others *HK$'000*	Total *HK$'000*	Manufacturing and distribution of honey mead *HK$'000*	Operation of restaurant *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	561	387	–	15	–	26	989	439	–	1,428
Impairment losses on goodwill	–	–	3,361	–	–	–	3,361	–	–	3,361
Capital expenditure	2,282	171	–	–	–	1,139	3,592	23	1,898	5,513
Other non-cash expenses	–	–	–	–	–	75,459	75,459	–	–	75,459
Loss on disposal of property, plant and equipment	55	–	–	–	–	–	55	332	–	387
Amortization of other intangible assets	–	437	–	–	–	–	437	–	–	437

b. Geographical market segments

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

			Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Geographical market Segment revenue:						
PRC	**44,471**	66,497	**(487)**	(16,979)	**43,984**	49,518
Hong Kong	**2,279**	1,270	**–**	–	**2,279**	1,270
South East Asia	**44,518**	30,204	**–**	–	**44,518**	30,204
Europe	**680**	616	**–**	–	**680**	616
Total	**91,948**	98,587	**(487)**	(16,979)	**91,461**	81,608
Segment results:						
PRC					**6,317**	19,782
Hong Kong					**(664)**	(16,221)
South East Asia					**14**	(88)
Europe					**2**	(2)
Unallocated income					**15,658**	33,000
Unallocated expenses					**(129,464)**	(103,941)
Finance costs					**(24,537)**	(3,005)
Gain on disposal of subsidiaries					**30,635**	–
Share of results of associates					**–**	18,830
Loss before income tax					**(102,039)**	(51,645)
Income tax expenses					**(1,442)**	(6,717)
Loss for the year					**(103,481)**	(58,362)

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) the sales and distribution of edible oil, (iv) mining operation of Xin Jiang Oilfield, and (v) sales of gas and gas appliances, provision of gas transportation services and installation services for gas connected.

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

Revenue recognized during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
Distribution of natural supplementary products	**2,279**	1,321
Provision of lottery-related hardware and software systems	**28,283**	10,854
Sales and distribution of edible oil	**42,912**	30,820
Gas related	**14,743**	–
Sales of goods	**29**	–
	88,246	42,995
Discontinued operations		
Manufacturing and distribution of honey mead	**929**	38,613
Operation of restaurant	**2,286**	–
	3,215	38,613
	91,461	81,608
Continuing operations		
Other revenue		
Interest income	**2,460**	1,868
Others	**3,448**	62
	5,908	1,930
Discontinued operations		
Others	**3**	3
	5,911	1,933

5. FINANCE COSTS

	Continuing operations		Discontinued operations	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on borrowings wholly repayable within five years	**2,736**	2,701	**11**	304
Interest on borrowings wholly repayable after five years	**1,934**	–	**–**	–
Interest on convertible bonds	**19,856**	–	**–**	–
	24,526	2,701	**11**	304

6. LOSS BEFORE INCOME TAX

	Continuing operations		Discontinued operations	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss before income tax has been arrived at after charging (crediting):				
Staff costs (excluding directors' emoluments):				
Wages and salaries	**13,428**	7,110	**664**	428
Retirement benefits scheme contributions	**217**	180	**–**	155
Total staff costs	**13,645**	7,290	**664**	583
Auditors' remuneration	**968**	628	**–**	2
Amortization of other intangible assets	**1,801**	437	**–**	–
Depreciation of property, plant and equipment (Note 1)	**10,316**	1,313	**354**	115
Provision of deposits made on acquisition of property, plant and equipment	**–**	–	**–**	133
Operating lease rentals in respect of land and building	**1,872**	1,393	**–**	306
Cost of inventories recognized as expenses	**63,410**	34,178	**1,062**	14,463
Loss on disposal of property, plant and equipment	**70**	55	**–**	332
Loss on disposal of an associate	**–**	13,106	**–**	–
Bad debts	**74**	–	**–**	–
Provision for doubtful debts	**–**	429	**–**	–
Share option expenses	**83,347**	39,399	**–**	–
Impairment of goodwill	**145**	3,361	**–**	–
Net foreign exchange gains	**(5,805)**	(2,110)	**–**	–

Note 1: For the year ended 30 June 2007, cost of inventories included approximately of HK$2,380,000 relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types.

7. INCOME TAX EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
Current year						
Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
Other jurisdictions	**1,411**	120	**31**	1,307	**1,442**	1,427
	1,411	120	**31**	1,307	**1,442**	1,427
Over-provisions in prior years						
Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
Other jurisdictions	**–**	(127)	**–**	–	**–**	(127)
	–	(127)	**–**	–	**–**	(127)
Share of taxation charge of an associate	**–**	5,417	**–**	–	**–**	5,417
Income tax expenses charged for the year	**1,411**	5,410	**31**	1,307	**1,442**	6,717

The Group did not derive any assessable profits in Hong Kong and thus no provision for Hong Kong Profits Tax has been made during the year ended 30 June 2007. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's certain PRC subsidiaries are entitled to exemption from the PRC income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years.

Income tax expenses on overseas profits have been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in Singapore in which the subsidiaries of the Group operate.

8. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Nil interim dividend (2006: HK0.5 cent per share on 609,872,807 shares)	**–**	3,049

The Directors do not recommend the payment of any dividend for the year ended 30 June 2007.

9. LOSS PER SHARE

For continuing and discontinued operations

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

	2007	2006
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(72,521)**	(39,908)

Number of shares

	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**936,079**	534,223

No diluted loss per share has been presented in both years, as the outstanding share options 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 shares from continuing operations attributable to the ordinary equity share holders of the parent is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the parent	**(72,521)**	(39,908)
Less: Profit for the year from discontinued operations	**272**	17,039
Loss for the purpose of basic loss per share from continuing operations	**(72,793)**	(56,947)

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

From discontinued operations

Earnings per share for the discontinued operations is HK0.03 cents per share (2006: HK3.19 cents per share), based on the profit for the year from the discontinued operations of approximately HK$272,000 (2006: HK$17,039,000) and the denominators detailed above for basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Gas distribution network	Gas storage equipment	Furniture, fixtures and equipment	Plant and machinery	Leasehold improvement	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST									
At 1 July 2005	–	–	–	532	3,251	519	857	–	5,159
Exchange realignment	–	–	–	6	95	–	8	–	109
Additions	359	–	–	535	516	1,547	2,502	54	5,513
Acquired on acquisition of subsidiairies	6,019	–	–	603	–	–	255	3,644	10,521
Disposal	–	–	–	–	(523)	–	(345)	–	(868)
At 30 June 2006 and At 1 July 2006	6,378	–	–	1,676	3,339	2,066	3,277	3,698	20,434
Exchange realignment	617	3,431	219	159	29	–	61	211	4,727
Additions	781	–	–	886	42,100	1,154	1,552	147	46,620
Acquired on acquisition of jointlly coontrolled entities	11,100	153,943	9,822	5,190	–	–	1,488	–	181,543
Disposal of subsidiaries	–	–	–	(629)	(2,845)	(2,112)	(284)	–	(5,870)
Disposal	–	–	–	(22)	–	–	(99)	–	(121)
At 30 June 2007	18,876	157,374	10,041	7,260	42,623	1,108	5,995	4,056	247,333
DEPRECIATION									
At 1 July 2005	–	–	–	253	1,007	187	383	–	1,830
Exchange realignment	–	–	–	4	29	–	3	–	36
Charged for the year	106	–	–	146	351	253	318	254	1,428
Elimiated on disposals	–	–	–	–	(188)	–	(260)	–	(448)
At 30 June 2006 and At 1 July 2006	106	–	–	403	1,199	440	444	254	2,846
Exchange realignment	6	–	–	2	1	–	2	14	25
Charged for the year	633	3,332	280	553	3,927	395	752	798	10,670
Disposal of subsidiaries	–	–	–	(236)	(1,188)	(283)	(168)	–	(1,875)
Eliminated on disposals	–	–	–	(12)	–	–	(18)	–	(30)
At 30 June 2007	745	3,332	280	710	3,939	552	1,012	1,066	11,636
NET BOOK VALUES									
At 30 June 2007	18,131	154,042	9,761	6,550	38,684	556	4,983	2,990	235,697
At 30 June 2006	6,272	–	–	1,273	2,140	1,626	2,833	3,444	17,588

The leasehold land and buildings of the subsidiary is located in PRC and held under medium lease term. The Group has pledged land and buildings having a net book value of approximately HK$5,834,000 (2006: HK$5,918,000) to secure general banking facilities granted to the subsidiary. In additions, gas distribution network of the Group's jointly controlled entity with a net book value of approximately HK$113,432,000 has been pledged to secure general banking facilities granted to the Group's jointly controlled entity.

At 30 June 2007, none of the Group's property, plant and equipment was held under finance lease (2006: HK$Nil).

11. INTEREST IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Cost of unlisted investment	**238**	43,125
Share of post-acquisition profits	**–**	24,494
	238	67,619
Disposals during the year	**–**	(67,381)
	238	238

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**
深圳市博眾技術服務有限公司 (Shenzhen Bozone Technology Services Co. Ltd.)	Incorporated	PRC	Registered capital	24.99%	Provision of lottery-related hardware and software systems

The Group acquired a 51% stake in Shenzhen Bozone IT Co., Limited which in turn held a 49% stake in 深圳市博眾技術服務有限公司 (Shenzhen Bozone Technology Services Co. Ltd.) which became an associate company of the Group. The associate was inactive and under deregistration process in the PRC. Loss for the year was amounted to HK$2,000.

12. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials and consumables	**6,150**	2,401
Work in progress	**–**	832
Finished goods	**386**	4,203
	6,536	7,436

All inventories are stated at cost.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**10,861**	5,760
Other receivables and prepayments	**78,795**	84,698
	89,656	90,458

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 90 days of issuance. The following is an aged analysis of trade receivables at the balance sheet dates:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**2,934**	1,241
31 to 60 days	**1,893**	96
61 to 365 days	**5,696**	3,804
Over 1 year	**338**	619
	10,861	5,760

Included in other receivables and prepayments are prepayments for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK$30 million (2006: HK$29 million).

The fair value of the Group's trade and other receivables and prepayments at 30 June 2007 was approximate to the corresponding carrying amount.

14. TRADE AND OTHER PAYABLES

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**10,536**	1,350
Other payables	**46,992**	29,109
	57,528	30,459

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

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**1,662**	1,150
31 to 120 days	**1,040**	87
121 to 180 days	**2,986**	–
181 to 365 days	**3,981**	–
Over 1 year	**867**	113
	10,536	1,350

The fair value of the Group's trade and other payables at 30 June 2007 was approximate to the corresponding carrying amount.

15. BANK AND OTHER BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Other loan, unsecured *(note a)*	**16,500**	22,500
Other loan, unsecured *(note b)*	**20,551**	8,427
Bank loans, secured *(note c)*	**57,724**	4,078
Bank loan, unsecured *(note d)*	**16,947**	–
	111,722	35,005

The Group's borrowings are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
On demand or within one year	**5,617**	12,505
More than one year, but not exceeding two years	**28,031**	22,500
Two to five years	**63,307**	–
Over five years	**14,767**	–
	111,722	35,005
Less: Amount due within one year shown under current liabilities	**(5,617)**	(12,505)
Amount due after one year	**106,105**	22,500

The fair value of the Group's borrowings at 30 June 2007 was approximate to the corresponding carrying amount.

Notes:

a. Borrowings of approximately HK$16,500,000 is interest bearing at 2% over prime rate, unsecured and not repayable in next twelve months.

b. Borrowings of approximately HK$2,857,000 is unsecured, bears interest at prime rate and not repayable in next twelve months.
Borrowings of approximately HK$17,694,000 is unsecured, interest charged at 2.55% per annum and has fixed repayment term.

c. Borrowings of approximately of HK$54,232,000 is secured by gas network of a jointly controlled entity, interest charged at 5.5 - 5.7% per annum and have fixed repayment terms.

Borrowings of approximately of HK$3,492,000 is secured by leasehold properties of a subsidiary and interest charged at 6.732% per annum and will be fully repaid in next financial year.

d. Borrowings of approximately HK$16,947,000 is unsecured, interest charged at 4.8% per annum and has fixed repayment term.

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 2007	**92,365**
At 30 June 2006	4,078

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a turnover of HK$91.46 million and loss attributable to the shareholders of approximately HK$72.52 million for the year ended 30 June 2007. Significant progress has been made by the Group in developing its presence in the China lottery-related sector and in the oil and gas related industries. The results for the 12 months to 30 June 2007, predominantly reflect the revenues from the lottery-related business and edible oil trading businesses. We are pleased to announce that our 51%-owned China lottery-related company, Bozone, has made a contribution to our results of HK$28.28 million in revenue and HK$9.51 million in segmental results for the year.

The Group's turnover of HK$91.46 million represented HK$28.28 million of revenues from the lottery-related division, sales of edible oil products of HK$42.91 million, gas related revenue shared from the Changde Joint Venture and the Hunan Joint Venture of HK$14.74 million, and revenue of HK$5.53 million from the sale of natural products and others. Segment result of profit of HK$9.51 million, segment result of profit of HK$0.12 million, segment result of loss of HK$1.92 million, segment result of loss of HK$0.86 million and segment result of loss of HK$1.19 million were recorded in the Group's lottery division, edible oil trading sector, natural gas joint ventures, natural products and others divisions and oil mining respectively.

Overall revenue for the Group, was HK$91.46 million against HK$81.61 million previously. The Group recorded a net loss attributable to shareholders after minorities of HK$72.52 million for the year ended 30 June 2007 against a net loss of HK$39.91 million for the previous corresponding period. HK$96.60 million of the HK$103.48 million loss before minorities is non-recurrent as follows:

(i) Share option expenses of HK$83.3 million (a non-cash item) is recognized in the current year. Based on the existing options in issue, there is only circa HK$8.6 million (including the share option expenses of Aptus) in such expenses to be written off over the coming fiscal year; and

(ii) HK$13.3 million in legal and professional fees related to the investment in Changde Joint Venture and Hunan Joint Venture.

This year's loss increased by HK$32.61 million compared to the previous corresponding year, the increase can be explained almost entirely as follows: (i) a HK$43.9 million increase in share option expenses, HK$83.3 million this period against HK$39.40 million previously, (ii) the HK$13.3 million charge for legal and professional fees as mention previously, (iii) the maiden HK$19.9 million expenses for imputed finance charges associated with the convertible bond issued by Aptus and (iv) no share award expenses this period against HK$36.06 million previously.

DEVELOPMENT

China lottery-related operations

During the year, management worked hard on solidifying the Company's lottery operations. With this foundation in place, the Company is now better positioned to grasp opportunities in the fast growing China lottery-related industries.

Through our subsidiary Shenzhen Bozone IT Co. Limited ("Bozone") and its subsidiaries ("Bozone Group"), our lottery business includes software development for large scale computer lottery sales systems, integration of network systems, network security solutions, research, development and manufacturing of computer lottery terminals, and lottery operation solutions and services.

During the year under review, we have strengthened the technology, management team and capital base of the lottery operations. We believe Bozone has emerged as one of the most competitive professional providers of technology, products and operation services in the China Welfare Lottery sector. During this financial year Bozone signed an exclusive service contract with the Zhejiang Welfare Lottery Centre in respect of its core sales system and 4,400 Point of Sales ("POS") machines, marking a significant breakthrough for our lottery operations.

Bozone's business is growing rapidly. In 2006, Bozone assisted its customers to achieve remarkable results by providing secure and reliable system operation services, technical support and in some areas investment cooperation in POS equipment. Bozone and the Shenzhen Welfare Lottery Centre signed a contract in respect of developing and maintaining its core sales system, which we believe helped contribute to an increase of 43.95% in sales in Shenzhen in 2006. Meanwhile our contract with Heilongjiang Welfare Lottery Centre for its core sales system and 6,500 POS machines also achieved an annual sales volume of RMB2.36 billion.

Aptus Holdings Limited – oil and gas operations

During the year, Aptus management has continued to work on developing and expanding its presence in the oil and gas related industries in the regions of the PRC.

Xin Jiang Oilfield

We are pleased to report that as of the time of this writing, in tests we have performed crude has flowed successfully from these wells. We will continue our efforts to get the oilfield into commercial operation by the end of fiscal 2008.

Hunan and Changde Joint Ventures

In July 2006, Aptus entered into two agreements to make capital contributions to Changde Huayou Gas Co., Ltd ("Changde Joint Venture") (a city level natural gas pipeline project) and Hunan Huayou Natural Gas Transportation and Distribution Company Limited ("Hunan Joint Venture") (a provincial level natural gas pipeline project) in return for 48.33% and 33.0% stakes in the two ventures respectively. Capital injections were completed in February of 2007 and on the same month obtained the certificates of approval for the change in shareholding structure and the subsequent updated business licenses.

The Hunan Joint Venture has constructed and owns a 187km natural gas pipeline which extends from Changsha City to Changde City. This pipeline is a provincial level main gas pipeline and is connected with the Zhongxian-Wuhan pipeline which is a branch from the trunk of the West-East Gas pipeline. The Changde Joint Venture constructs and operates the last mile pipeline distribution network to residential, commercial and industrial customers in Changde City. Approximately 11km of pipelines were completed during the period from one of the gas stations in Changde City to an industrial customer. Residential pipeline construction is ahead of schedule as the market development in the area has been much faster than anticipated. Contracts with industrial users are being negotiated at the time of the writing of this report; the signing of these contracts would significantly increase the sales for natural gas. We are confident that with these developments that this joint venture will be able to bring to the Group notable profits in future.

Natural products business

On 7 September 2006, the Group has completed the disposal of our 55% interest in Wuhu Bee & Bee Natural Food Company Limited and 100% interest in Zhuhai Free Trade Zone Bee & Bee Natural Food Company Limited. The disposal allowed the Group to focus its resources on investments in research and development and application of information technology in the lottery field, and the oil and gas business in the PRC which management believe have better earnings potential.

Future outlook and prospects

Via Bozone, the Company offers vertically integrated software, hardware and related services to the traditional welfare lottery segment in the PRC in return for a share of lottery revenues. This allows the Group to participate in the rapid growth in the PRC lottery sector. It is our objective this year to continue building on our existing products and further develop in the area of POS machines as well as to continue to expand geographically.

At Aptus, we will concentrate on scaling up the production at the Xin Jiang Oilfield and the two natural gas joint ventures in the Hunan province. We believe the development of the Xin Jiang Oilfield will enable the Group to capitalize on the current strong demand and pricing environment for crude thereby enhancing profitability and operational cash flow going forward. Meanwhile, in addition to the two aforementioned natural gas related projects the Group will continue to explore more opportunities in the natural gas business in the PRC which we consider to have substantial growth potential in light of the PRC government's desire to increase the proportion of gas utilization in the country's energy mix. The objective of management is to develop Aptus Holdings Limited into a major diversified oil and gas group and we will continue to seek out every opportunity to expand further.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed 25 staff in Hong Kong, 2 staff in Singapore and 87 staff in the PRC. Staff costs excluding directors' remuneration amounted to approximately HK$14,309,000 (2006: HK$7,873,000). 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 2007, shareholders' funds amounted to approximately HK$438,205,000 (2006: HK$453,851,000). Current assets amounted to approximately HK$306,294,000 (2006: HK$356,185,000), mainly comprising of cash and bank deposits. The Group had current liabilities amounting to approximately HK$64,567,000 (2006: HK$43,063,000), mainly its trade and other payables and bank borrowings. The Group's bank borrowings amounted to approximately HK$74,671,000 (2006: HK$4,078,000) for the year ended 30 June 2007. The Group financed its operations primarily with internally generated cash flows and banking facilities granted by banks. The net asset value per share of the Company was approximately HK$0.47 (2006: HK$0.48 (restated due to issue of bonus shares)). The gearing ratio was 14.73% (2006: 9.49%) on the basis of current liabilities divided by shareholders' funds.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The business activities of the Group are not exposed to material fluctuations in exchange rate except for the Group's operations through its subsidiaries in the People's Republic of China and Singapore, which are subject to fluctuation in exchange rates between Renminbi, Singaporean dollars and Hong Kong dollars.

SIGNIFICANT INVESTMENTS

For the year ended 30 June 2007, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

For the year ended 30 June 2007, the Group has completed the acquisition of 48.33% equity interest in Changde Joint Venture and of 33% equity interest in Hunan Joint Venture. In February 2007, the certificates of approval for Aptus' investment in Changde Joint Venture and Hunan Joint Venture and the updated business licenses of these two Joint Ventures were obtained.

On 7 September 2006, the Group has completed the disposal of our 55% interest in Wuhu Bee & Bee Natural Food Company Limited and 100% interest in Zhuhai Free Trade Zone Bee & Bee Natural Food Company Limited. During the year, the Group also disposed Guangzhou Latech Computer Technology Company Limited, Jinan Weita Technology Company Limited and La Cucina Italian (Macau) Limited to streamline the business of the Group.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 2007, the Group has pledged its bank deposits of approximately HK$5,000,000 (30 June 2006: HK$13,308,000) and leasehold property at net book value of approximately HK$5,834,000 (30 June 2006: HK$5,918,000) to banks to secure the general banking facilities granted to the Group.

In addition, borrowings of approximately HK$54,232,000 has been secured by a gas network of a jointly controlled entity, Hunan Joint Venture.

As at 30 June 2007 the 100% of the issued share capital of Good United Management Limited ("GUM"), a wholly-owned subsidiary of the Company's non wholly-owned subsidiary, Aptus Holdings Limited ("Aptus"), was pledged in favour 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 profit sharing rights on Xin Jiang Oilfield.

CAPITAL STRUCTURE

Bonus Share Issue

On 1 November 2006, a bonus issued of 312,026,403 Shares was made on the basis of one bonus share for every two existing Shares held on the 24 October 2006.

Bonus Warrant Issue

On 1 November 2006, a bonus issued of 124,810,561 warrants was made on the basis of one warrant for every five issued shares held on 24 October 2006. Each warrant entitles its holder to subscribe in cash at a price of HK$1.33 for one share of the Company at any time from 3 November 2006 to 2 November 2008, both days inclusive. No warrant was exercised during the period and exercise in full of these warrants would result in the issue of 124,810,561 additional shares of HK$0.01 each.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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, details of which are stated under the heading of "NON-EXECUTIVE DIRECTORS" below, 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 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.

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 on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code.

The primary duties of the audit committee are to review the Company's annual report and accounts, semi-annual report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times each year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters.

The audit committee currently comprises three Independent Non-executive Directors of the Company, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. To Yan Ming, Edmond.

The audit committee reviewed the Group's audit results for the year ended 30 June 2007 with management and the Company's external auditors and recommended its adoption by the Board.

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

Hong Kong, 27 September 2007

* *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 and Mr. Lau Hin Kun; and the independent non-executive Directors are Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. To Yan Ming, Edmond.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information which regard to the Company. The directors, having made all reasonable enquiries, confirm that, to be best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

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.