



眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8156)

Interim Report
2013/2014



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

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

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Vanguard Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the three months and six months ended 31 December 2013 (“Period 2013”), together with the comparative unaudited figures for the corresponding periods in 2012 (“Period 2012”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2013

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
REVENUE	3	20,181	9,889	32,369	19,117
Cost of sales		<u>(771)</u>	<u>(422)</u>	<u>(1,212)</u>	<u>(1,225)</u>
Gross profit		19,410	9,467	31,157	17,892
Other revenue		172	60	350	395
Selling and distribution costs		(192)	(236)	(433)	(341)
Administrative expenses		(16,129)	(18,240)	(31,959)	(35,711)
Operating profit (loss)		3,261	(8,949)	(885)	(17,765)
Finance costs		(2,181)	(2,977)	(4,411)	(6,558)
Share of results of jointly controlled entities		(792)	(2,877)	(1,357)	(3,192)
PROFIT (LOSS) BEFORE TAXATION	5	288	(14,803)	(6,653)	(27,515)
Income tax expenses	6	(76)	(408)	(194)	(471)
PROFIT (LOSS) FOR THE PERIOD		212	(15,211)	(6,847)	(27,986)

	(Unaudited) Three months ended 31 December 2013		(Unaudited) Six months ended 31 December 2013	
Notes	HK\$'000	2012 HK\$'000 (restated)	HK\$'000	2012 HK\$'000 (restated)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income may be classified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas operations	<u>1,588</u>	213	<u>1,939</u>	2,658
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD	<u>1,800</u>	(14,998)	<u>(4,908)</u>	(25,328)
PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Company	558	(15,006)	(6,285)	(27,665)
Non-controlling interests	<u>(346)</u>	(205)	<u>(562)</u>	(321)
PROFIT (LOSS) FOR THE PERIOD	<u>212</u>	(15,211)	<u>(6,847)</u>	(27,986)
TOTAL COMPREHENSIVE INCOME (EXPENSES) ATTRIBUTABLE TO:				
Equity holders of the Company	2,122	(13,920)	(4,376)	(24,946)
Non-controlling interests	<u>(322)</u>	(1,078)	<u>(532)</u>	(382)
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD	<u>1,800</u>	(14,998)	<u>(4,908)</u>	(25,328)
EARNINGS (LOSS) PER SHARE (HK CENTS)				
Basic	<u>0.07</u>	(2.22)	<u>(0.83)</u>	(4.16)
Diluted	<u>0.07</u>	N/A	<u>N/A</u>	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	26,171	28,811
Interest in jointly controlled entities		11,353	12,710
Goodwill		94,608	94,608
Prepaid lease payments		4,255	4,255
		<u>136,387</u>	<u>140,384</u>
CURRENT ASSETS			
Prepaid lease payments		123	121
Inventories		835	1,172
Trade and other receivables and prepayments	10	41,214	33,924
Pledged bank deposits		5,275	5,262
Amounts due from jointly controlled entities		8,607	8,493
Bank balances and cash		7,293	3,637
		<u>63,347</u>	<u>52,609</u>
CURRENT LIABILITIES			
Trade payables, accrued liabilities and other payables	11	19,956	10,128
Tax liabilities		2,290	1,837
Bank and other borrowings	12	49,457	54,265
Amounts due to directors		2,714	5,520
		<u>74,417</u>	<u>71,750</u>
NET CURRENT LIABILITIES		<u>(11,070)</u>	<u>(19,141)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>125,317</u>	<u>121,243</u>
NON-CURRENT LIABILITY		<u>84,181</u>	<u>76,352</u>
Loan from a shareholder		84,181	76,352
NET ASSETS		<u>41,136</u>	<u>44,891</u>
CAPITAL AND RESERVES			
Share capital	13	37,719	37,719
Reserves		(766)	2,457
Equity attributable to equity holders of the Company		<u>36,953</u>	<u>40,176</u>
Non-controlling interests		4,183	4,715
TOTAL EQUITY		<u>41,136</u>	<u>44,891</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	(Unaudited)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
		(restated)
Net cash inflow (outflow) from operating activities	3,301	(23,558)
Net cash outflow from investing activities	(474)	(6,696)
Net cash (outflow) inflow from financing activities	(1,051)	10,183
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	1,776	(20,071)
Cash and cash equivalents at beginning of period	3,637	20,987
Effect of foreign exchange rate changes	1,880	2,721
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Cash and cash equivalents at end of period	7,293	3,637
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Attributable to equity holders of the Company																					
	Share capital	Share premium	Capital redemption reserve	Employee share- based compensation reserve	Share option reserve	Translation reserve	Special reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total	Non- controlling interests	Total										
													HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
													At 1 July 2013 (audited)	37,719	2,195,554	234	35,572	—	19,278	(1)	10,184	(2,258,364)
Loss for the period	—	—	—	—	—	—	—	—	(6,265)	(6,265)	(562)	(6,847)										
Exchange differences on translation of financial statements of overseas operations	—	—	—	—	—	1,909	—	—	—	1,909	30	1,939										
Total comprehensive income (expenses) for the period	—	—	—	—	—	1,909	—	—	(6,265)	(4,376)	(532)	(4,908)										
Recognition of equity-settled share-based payments	—	—	—	—	1,153	—	—	—	—	1,153	—	1,153										
At 31 December 2013 (unaudited)	37,719	2,195,554	234	35,572	1,153	21,187	(1)	10,184	(2,264,649)	36,953	4,183	41,136										

For the six months ended 31 December 2012 (Restated)

	Attributable to equity holders of the Company																					
	Share capital	Share premium	Capital redemption reserve	Employee share- based compensation reserve	Share option reserve	Translation reserve	Special reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total	Non- controlling interests	Total										
													HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
													At 1 July 2012 (audited)	32,719	2,165,054	234	35,572	11,092	12,904	(1)	10,184	(2,227,934)
Loss for the period	—	—	—	—	—	—	—	—	(27,665)	(27,665)	(321)	(27,986)										
Exchange differences on translation of financial statements of overseas operation	—	—	—	—	—	2,719	—	—	—	2,719	(61)	2,658										
Total comprehensive income (expenses) for the period	—	—	—	—	—	2,719	—	—	(27,665)	(24,946)	(382)	(25,328)										
Shares issued on loan capitalization	5,000	30,500	—	—	—	—	—	—	—	35,500	—	35,500										
Share options lapsed	—	—	—	—	(11,092)	—	—	—	11,092	—	—	—										
At 31 December 2012 (unaudited)	37,719	2,195,554	234	35,572	—	15,623	(1)	10,184	(2,244,507)	50,378	7,124	57,502										

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 31 December 2013

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 December 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013.

In the current period, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA:

HKAS 19 (As revised in 2011)	Employee benefits
HKAS 27 (As revised in 2011)	Separate financial statements
HKAS 28 (As revised in 2011)	Investments in associates and joint ventures
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle
HKFRS 1 (Amendments)	Government loans
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) — Int 13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. As HKFRS 11 is adopted by the Group in the accounting period beginning on 1 July 2013 when effective, proportional consolidation of jointly controlled entities (JCEs) is no longer applied. Instead, JCEs meet the definition of a joint venture under HKFRS 11 must be accounted for using equity method in accordance with HKAS 28 (Revised) *Investments in associates and joint ventures*. Upon the adoption of HKFRS 11, the Group has changed the accounting for investments in JCEs from proportionate consolidation to the equity accounting method from the date of acquisition, incorporation or registration of JCEs. The comparative amount has been restated with the investments in JCEs being equity accounting for since the date of acquisition, incorporation or registration of JCEs.

The operating results previously reported by the Group for the six months ended 31 December 2012 have been restated to equity accounting for the Group's JCEs as set out below:

	The Group (as previously reported) HK\$'000	Prior period adjustments HK\$'000 (Note 2)	JCEs HK\$'000	The Group HK\$'000 (restated)
Revenue	44,849	(3,537)	(22,195)	19,117
Cost of sales	(16,614)	2,277	13,112	(1,225)
Other revenue	810	(28)	(387)	395
Selling and distribution costs	(5,603)	735	4,527	(341)
Administrative expenses	(40,660)	(4,109)	9,058	(35,711)
Finance costs	(6,565)	—	7	(6,558)
Share of results of jointly controlled entities	—	—	(3,192)	(3,192)
Income tax expenses	(564)	30	63	(471)
(Loss) profit for the period	<u>(24,347)</u>	<u>(4,632)</u>	<u>993</u>	<u>(27,986)</u>
(Loss) profit attributable to:				
Equity holders of the Company	(23,107)	(4,558)	—	(27,665)
Non-controlling interests	<u>(1,240)</u>	<u>(74)</u>	<u>993</u>	<u>(321)</u>
	<u>(24,347)</u>	<u>(4,632)</u>	<u>993</u>	<u>(27,986)</u>

The financial position previously reported by the Group as at 30 June 2013 have been restated to equity accounting for the Group's JCEs as set out below:

	The Group (as previously reported) HK\$'000	JCEs HK\$'000	The Group HK\$'000 (restated)
Assets:			
Property, plant and equipment	31,478	(2,667)	28,811
Interest in JCEs	—	12,710	12,710
Goodwill	94,608	—	94,608
Prepaid lease payments	4,376	—	4,376
Available-for-sale financial assets — Excellent Union	18,578	(18,578)	—
Inventories	4,170	(2,998)	1,172
Trade and other receivables and prepayments	49,479	(15,555)	33,924
Pledged bank deposits	5,262	—	5,262
Amounts due from JCEs	—	8,493	8,493
Bank balances and cash	3,879	(242)	3,637
	<u>211,830</u>	<u>(18,837)</u>	<u>192,993</u>
Liabilities:			
Trade payables, accrued liabilities and other payables	15,269	(5,141)	10,128
Tax liabilities	1,837	—	1,837
Bank and other borrowings	54,265	—	54,265
Amounts due to directors	5,520	—	5,520
Loan from a shareholder	76,352	—	76,352
	<u>153,243</u>	<u>(5,141)</u>	<u>148,102</u>
	<u>58,587</u>	<u>(13,696)</u>	<u>44,891</u>
Net assets			
Equity attributable to equity holders of the Company	52,135	(11,959)	40,176
Non-controlling interests	6,452	(1,737)	4,715
	<u>58,587</u>	<u>(13,696)</u>	<u>44,891</u>
Total equity			
	<u>58,587</u>	<u>(13,696)</u>	<u>44,891</u>

Except as described above, the application of the other new or revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ¹
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ¹
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting ¹
HKFRS 9	Financial instruments ²
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ²
HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HK(IFRIC) — INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

In preparing the interim condensed consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK\$11,070,000 as at 31 December 2013. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

- (i) the substantial shareholder, Best Frontier Investments Limited (“Best Frontier”), agreed to provide continuous financial support to the Group; and
- (ii) On 13 January 2014, the Company entered into a Subscription Agreement with Integrated Asset Management (Asia) Limited (“Integrated Asset Management”) in relation to the issue of Convertible Bonds for a term of three years due in 2017. Assuming full conversion of the Convertible Bonds at the initial Conversion price of HK\$2.39 per Conversion Share, the Convertible Bonds will be convertible into 37,500,000 ordinary shares of the Company.

On 17 January 2014, all conditions precedent for the issue of the Convertible Bonds under subscription agreement have been fulfilled and that the completion of the issue of the Convertible Bonds to Integrated Asset Management in the aggregate principal amount of HK\$89,625,000 took place.

For more details, please refer to the announcements dated 13 January 2014 and 17 January 2014 of the Company.

Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

2. PRIOR PERIOD ADJUSTMENTS

In preparing the interim condensed consolidated financial statements for the six months period ended 31 December 2013, the Company identified adjustments in its presentation and disclosures of certain transactions and balances in the previously issued interim condensed consolidated financial statements for the six months ended 31 December 2012. Those adjustments arising from the final decision of the arbitration made on 30 July 2012, the Group returned the 20% equity interest in Excellent Union Communication Group Co., Limited ("Excellent Union") and the transfer of 20% equity interest in Excellent Union to the joint venture partner which was completed on 29 October 2012. Upon completion of the transfer, the effective equity interests in Excellent Union held by the Group was decreased from 24.5% to 14.7%.

Consequently, the Company's condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the period then ended and certain explanatory notes have been restated to correct those adjustments.

Effects on the interim condensed consolidated statement of comprehensive income for the six months ended 31 December 2012:

	The Group (as previously reported) HK\$'000	Prior period adjustments HK\$'000	After adjustments HK\$'000 (restated)
Revenue	44,849	(3,537)	41,312
Cost of sales	(16,614)	2,277	(14,337)
Other revenue	810	(28)	782
Selling and distribution costs	(5,603)	735	(4,868)
Administrative expenses	(40,660)	(4,109)	(44,769)
Finance costs	(6,565)	—	(6,565)
Income tax expenses	(564)	30	(534)
Loss for the period	<u>(24,347)</u>	<u>(4,632)</u>	<u>(28,979)</u>
Loss attributable to:			
Equity holders of the Company	(23,107)	(4,558)	(27,665)
Non-controlling interests	<u>(1,240)</u>	<u>(74)</u>	<u>(1,314)</u>
	<u>(24,347)</u>	<u>(4,632)</u>	<u>(28,979)</u>

3. REVENUE

The principal activities of the Group are (i) provision of lottery-related services; (ii) land and property development; and (iii) others.

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

4. SEGMENT INFORMATION

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 31 December 2013:

Six months ended 31 December 2013 (Unaudited)

	Lottery- related services <i>HK\$'000</i>	Land and property development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	25,562	6,800	7	32,369
	<u>25,562</u>	<u>6,800</u>	<u>7</u>	<u>32,369</u>
Segment results	9,094	6,481	(343)	15,232
	<u>9,094</u>	<u>6,481</u>	<u>(343)</u>	<u>15,232</u>
Unallocated income				103
Unallocated expenses				(16,220)
Finance costs				(4,411)
Share of result of jointly controlled entities				(1,357)
				<u>(1,357)</u>
Loss before taxation				(6,653)
Income tax expenses				(194)
				<u>(194)</u>
Loss for the period				<u>(6,847)</u>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	171	17	102	290
Depreciation and amortization	3,282	19	442	3,743
	<u>3,282</u>	<u>19</u>	<u>442</u>	<u>3,743</u>

Six months ended 31 December 2012 (Unaudited and restated)

	Lottery- related services <i>HK\$'000</i>	Land and property development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	19,037	—	80	19,117
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Segment results	654	(146)	(1,077)	(569)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unallocated income				23
Unallocated expenses				(17,219)
Finance costs				(6,558)
Share of result of jointly controlled entities				(3,192)
				<u> </u>
Loss before taxation				(27,515)
Income tax expenses				(471)
				<u> </u>
Loss for the period				(27,986)
				<u> </u>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	756	176	1,206	2,138
Depreciation and amortization	1,376	—	203	1,579
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Segment assets and liabilities

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

As at 31 December 2013 (Unaudited)

	Lottery- related services <i>HK\$'000</i>	Land and property development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	153,906	14,024	8,083	176,013
Unallocated assets				<u>23,721</u>
Total Assets				<u><u>199,734</u></u>
Liabilities				
Segment liabilities	27,509	194	5,088	32,791
Unallocated liabilities				89,020
Bank and other borrowings				<u>36,787</u>
Total Liabilities				<u><u>158,598</u></u>

As at 30 June 2013 (Audited and restated)

	Lottery- related services <i>HK\$'000</i>	Land and property development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	148,881	9,024	8,109	166,014
Unallocated assets				<u>26,979</u>
Total Assets				<u><u>192,993</u></u>
Liabilities				
Segment liabilities	26,704	56	5,272	32,032
Unallocated liabilities				79,448
Bank and other borrowings				<u>36,622</u>
Total Liabilities				<u><u>148,102</u></u>

5. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting):

	(Unaudited)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
		(restated)
Cost of sales	1,212	1,225
Depreciation of property, plant and equipment	3,687	1,541
Interest on borrowings	4,411	6,350
Interest on convertible bonds	—	208
Interest income	(19)	(28)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and six months ended 31 December 2013 (three months and six months ended 31 December 2012: HK\$Nil).

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

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the equity holders of the Company is based on the following data:

Earnings (loss)	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)
Profit (loss) for the period attributable to the equity holders of the Company	558	(15,006)	(6,285)	(27,665)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Number of shares

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	'000	'000	'000	'000
		(restated)		(restated)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share (<i>Note a</i>)	754,379	677,205	754,379	665,791
Effect of dilutive potential ordinary shares:				
Share options	<u>1,576</u>	—	<u>788</u>	—
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>755,955</u>	<u>677,205</u>	<u>755,167</u>	<u>665,791</u>

Note:

- (a) At an extraordinary general meeting of the Company held on 31 January 2013, an ordinary resolution was passed for every five authorized issued and unissued shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.05 each. The comparative amount of the basic loss per share for the period 2012 has been adjusted to reflect the impact of the share consolidation.

No diluted loss per share has been presented for the six months ended 31 December 2013 and the six months ended 31 December 2012, as the outstanding share options of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

The diluted earnings per share for the three months ended 31 December 2013 was 0.07 cents per share, based on the profit of HK\$558,000 for the three months ended 31 December 2013 and the denominator detailed above for the diluted earnings per share. No diluted loss per share has been presented for the three months ended 31 December 2012 as the outstanding share options of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the three months and six months ended 31 December 2013 (three months and six months ended 31 December 2012: HK\$Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2013, the Group acquired items of plant and machinery with a cost of approximately HK\$290,000 (six months ended 31 December 2012: approximately HK\$2,138,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2013 (six months ended 31 December 2012: no material disposal).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
Trade receivables	13,700	11,401
Other receivables and prepayments	<u>27,588</u>	<u>22,597</u>
	41,288	33,998
Less: Allowances for doubtful receivable	<u>(74)</u>	<u>(74)</u>
	<u>41,214</u>	<u>33,924</u>

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance.

An ageing analysis of the Group's trade receivables at the end of reporting period is as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
0 to 30 days	9,568	4,770
31 to 60 days	691	1,617
61 to 180 days	2,525	2,440
181 to 365 days	242	2,254
Over 1 year	<u>674</u>	<u>320</u>
	<u>13,700</u>	<u>11,401</u>

11. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
Trade payables	142	613
Accrued liabilities and other payables	<u>19,814</u>	<u>9,515</u>
	<u>19,956</u>	<u>10,128</u>

An ageing analysis of the Group's trade payables at the end of reporting period is as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
0 to 30 days	24	2
31 to 120 days	71	55
121 to 180 days	30	556
181 to 365 days	17	—
Over 1 year	—	—
	<u>142</u>	<u>613</u>

12. BANK AND OTHER BORROWINGS

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Other loan, secured (<i>Note a</i>)	26,851	24,174
Other loan, unsecured (<i>Note b</i>)	16	16
Bank overdraft, secured (<i>Note c</i>)	9,936	12,432
Bank loan, secured (<i>Note d</i>)	12,654	17,643
	<u>49,457</u>	<u>54,265</u>

Bank and other borrowings are repayable as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
On demand or within one year	49,457	54,265
One to two years	—	—
	<u>49,457</u>	<u>54,265</u>
Less: Amounts shown under current liabilities	<u>(49,457)</u>	<u>(54,265)</u>
Long term portion	<u>—</u>	<u>—</u>

Notes:

- (a) Other loan of approximately HK\$26,851,000 (30 June 2013: HK\$24,174,000) is interest charged at 22% (30 June 2013: 20%-22%) per annum, secured by pledge of shares of a subsidiary and repayable in next twelve months.

- (b) Other loan of approximately HK\$16,000 (30 June 2013: approximately HK\$16,000) is interest free (30 June 2013: interest free), unsecured and repayable in next twelve months.
- (c) Bank overdraft of approximately HK\$9,936,000 is interest charged at prime rate per annum (30 June 2013: approximately HK\$12,432,000, is interest charged at prime rate and 8% over prime rate per annum), secured by pledge bank deposit and corporate guarantee by the Company and a property owned by a director's company.
- (d) Bank loan of approximately HK\$12,654,000 (30 June 2013: HK\$17,643,000) is interest charged at 7.5% per annum (30 June 2013: 7.5%), secured by plant and machinery, shares of a subsidiary, corporate guarantee by third party, the Company and its subsidiaries, personal guarantee by directors and repayable in next twelve months.

13. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorized:		
At 1 July 2012, ordinary shares of HK\$0.01 each	20,000,000	200,000
Less: share consolidation (<i>Note b</i>)	<u>(16,000,000)</u>	<u>—</u>
At 30 June 2013, 1 July 2013 and 31 December 2013, ordinary shares of HK\$0.05 each	<u>4,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 July 2012, ordinary shares of HK\$0.01 each	3,271,894	32,719
Shares issued on loan capitalization (<i>Note a</i>)	500,000	5,000
Less: share consolidation (<i>Note b</i>)	<u>(3,017,515)</u>	<u>—</u>
At 30 June 2013, 1 July 2013 and 31 December 2013, ordinary shares of HK\$0.05 each	<u>754,379</u>	<u>37,719</u>

Notes:

- (a) On 18 December 2012, 500,000,000 ordinary shares of HK\$0.01 each were issued at a subscription price of HK\$0.071 by the way of loan capitalization of HK\$35,500,000.
- (b) At an extraordinary general meeting of the Company held on 31 January 2013, an ordinary resolution was passed for every five authorized and issued shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.05 each. As a result, the adjusted share capital of the Company became HK\$37,718,938 consisting of 754,378,767 ordinary shares of HK\$0.05 each.

14. PLEDGED OF ASSETS

- (a) As at 31 December 2013, the Group has pledged its bank deposits of approximately HK\$5,275,000 (30 June 2013: approximately HK\$5,262,000) as securities for the general banking facilities granted to the Group.
- (b) As at 31 December 2013, the Group has pledged all the issued and outstanding shares of China Success Enterprises Limited and its subsidiaries (except Ace Bingo Group Limited and its subsidiaries) to Tarascon Asia Absolute Fund (Cayman) Ltd ("Tarascon") for a loan and interest in aggregate of HK\$26,851,000 (30 June 2013: HK\$20,000,000).
- (c) As at 31 December 2013, the Group has pledged its plant and machinery with a net book values of approximately HK\$15,735,000 (30 June 2013: HK\$17,427,000) and all the issued and outstanding shares of Shenzhen Bozone IT Co. Limited and its subsidiaries as securities for a bank loan of approximately HK\$12,654,000 (30 June 2013: HK\$17,643,000) granted to the Group.

15. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2013, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000 (restated)
Within one year	3,384	3,556
In the second to fifth year inclusive	3,589	3,288
	6,973	6,844

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

The Group as lessor

At 31 December 2013, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Within one year	64	63
In the second to fifth year inclusive	128	127
	192	190

16. CAPITAL COMMITMENTS

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Capital expenditure in respect of acquisition additional equity interest in subsidiaries	44,828	46,167
Capital expenditure in respect of acquisition of property, plant and equipment	47,685	47,053
	92,513	93,220

17. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the three and six months ended 31 December 2013 was as follows:

	(Unaudited) Three months ended 31 December 2013 HK\$'000		(Unaudited) Six months ended 31 December 2013 HK\$'000	
	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
Short-term benefits	2,520	2,411	5,180	4,803
Post-employment benefits	32	26	65	52
	2,552	2,437	5,245	4,855

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

Amounts due to directors

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Cheung Kwai Lan	957	3,702
Chan Ting	1,757	1,818
	2,714	5,520

The amounts are unsecured, interest free and have no fixed repayment terms.

Interest on loan from a substantial shareholder

Interest accrued for a loan from a substantial shareholder during the three months and six months ended 31 December 2013 was HK\$382,000 and HK\$788,000 respectively (three months and six months ended 31 December 2012: HK\$118,000 and HK\$118,000 respectively).

18. EVENTS AFTER THE REPORTING PERIOD

- (a) On 13 January 2014, the Company entered into a Subscription Agreement with Integrated Asset Management in relation to the issue of Convertible Bonds for a term of three years due in 2017. Assuming full conversion of the Convertible Bonds at the initial Conversion price of HK\$2.39 per Conversion Share, the Convertible Bonds will be convertible into 37,500,000 ordinary shares of the Company.

On 17 January 2014, all conditions precedent for the issue of the Convertible Bonds under subscription agreement have been fulfilled and that the completion of the issue of the Convertible Bonds to Integrated Asset Management in the aggregate principal amount of HK\$89,625,000 took place.

For more details, please refer to the announcements dated 13 January 2014 and 17 January 2014 of the Company.

- (b) On 17 January 2014, China Vanguard Corporate Management Limited, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with Gaojia Global Limited (the "Vendor") pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Sale Shares in consideration for an aggregate sum of RMB39,394,000, equivalent to approximately HK\$50,046,000.

For more details, please refer to the announcement dated 17 January 2014 of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The principal activities of the Group are (i) the provision of lottery-related services; (ii) land and property development; and (iii) others.

For the Period 2013, the Group recorded total revenue of HK\$32.4 million, significantly up 69.3% against Period 2012's HK\$19.1 million. The increase in revenue was predominantly due to increased revenue from the lottery-related business and property development business. The gross profit ratio increased to 96.3% as compared with Period 2012's 93.6%.

For Period 2013, the Group recorded a net loss attributable to the equity holders of HK\$6.3 million, significantly down 77.3% against HK\$27.7 million for the Period 2012. The Group recorded a profit attributable to equity holders of HK\$558,000 in the second quarter of period 2013, against loss of HK\$15 million in the second quarter of period 2012. Selling and distribution costs and administrative expenses in Period 2013 amounted to HK\$32.4 million, decreased 10.2% as compared to HK\$36.1 million in Period 2012.

Business Review

In 2013, China lottery industry has achieved a remarkable result in sales, the aggregated welfare and sport lottery sales are over RMB309 billion, a growth of over 18% on a year-to-year basis; while compare with the world largest lottery market, United States, the growth is just in a single digit. This strong growth momentum in China lottery market gives us a solid support to our lottery operation performance and benefiting the expansion on our proprietary self-service lottery system. Recently we have formed strategic cooperation with different leading players of their own territories, which include international lottery solution provider, renowned mobile manufacturer and operator of portal website. These cooperations help us to capture the opportunities arise from the rapid development of China lottery market by strengthen our capabilities in product developments and lottery distribution channels. As for our land and property development operations, we have successfully utilized our resources and experiences gained in the past and expanded our operational footprint to other parts of China.

Lottery operations

The Group's lottery operations are engaged in the supply of lottery software, equipment and services to the China Lottery authorities. We also operate a lottery distribution network in China. Our operations cover Zhejiang, Heilongjiang, Chongqing, Tianjin, Jilin, Shanghai and Shenzhen.

During this reporting period, we have established several strategic cooperation with different leading players of their own territories respectively, this include (i) international lottery solution provider from Taiwan on the collaboration with the development of the tablet-based lottery equipment; (ii) the world renowned mobile manufacturer for the development of mobile lottery distribution channel; and (iii) a portal website operator. Through these cooperations, our lottery distribution network is expanding from physical traditional outlets into virtual and new channels. These strategic cooperation enhanced our capability to capture opportunities arise from different new distribution channel and expanded our lottery distribution network via self-service sales system into new territories to create new revenue stream for the Group.

In order to cater the needs of different potential lucrative channels, we have developed several forms of self-service sales system. We have successfully registered and commenced pilot test for our tablet-based self-service sales system in Chongqing and we have completed our pilot testing and officially launched in some entertainment venues during this reporting period.

Our self-service sales system is a catalyst to boost the lottery sales and is welcomed by the provincial lottery centres which helps our rollout.

We once again successfully renewed and maintained the stringent and comprehensive information system security certification audit from, the World Lottery Association (“WLA”), regarding WLA Security Control System certification (“WLA SCS”). We are the only one lottery solution provider in Asia accredited both WLA SCS and ISO27001:2005.

Land and Property Development

The Group via its wholly-owned subsidiary, Jovial Sky Limited, engaged in class 1 land development work, the promotion of the sales of land in the Zone and property management and consultancy services.

During this reporting period, our property operation has recorded a revenue of HK\$6.8 million in regards to the provision of property management and consultancy service.

As for the land development in the Zone, we continue working diligently to smoothen the prerequisite procedures and the necessary preparation work for first batch of land auction.

Future Outlook

China lottery is a fast growing market, traditional sales systems and traditional distribution channels may not be adequate. An innovative, effective and versatile lottery sales solution will become the key virtues for the future solution. We expect our self-service sales system which is fully equipped with the above key virtues, will broaden and deepen market penetration at China lottery market, and is expected to be highly sought after. Recent strategic partnerships reinforced our position and will bring us to the next level.

We continue to utilize the resources and experiences gained by our land and property development operations to seek further opportunities in land and property development in China and Hong Kong with the view and desire to further strengthen our land and property development operations and bringing positive results at the same time.

Financial Resources and Liquidity

As at 31 December 2013, the Group bank balances and cash amounted to HK\$7.3 million (30 June 2013: HK\$3.6 million). Net asset value per share of the Group was HK\$0.05 (30 June 2013: HK\$0.06) and current assets amounted to HK\$63.3 million (30 June 2013: HK\$52.6 million). The gearing ratio of the Group was 205% as at 31 December 2013 (30 June 2013: 170%) on the basis of non-current liabilities divided by shareholders' fund.

The directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK\$11.1 million as at 31 December 2013. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the completion of the issue of the Convertible Bonds to the Subscriber in the aggregate principal amount of HK\$89.6 million took place.

Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

Foreign Exchange Exposure

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

Capital Structure

During the six months ended 31 December 2013, there was no material change in the capital structure of the Group.

Contingent Liabilities

The Company and its subsidiaries provide corporate guarantees to the extent of HK\$22.7 million (30 June 2013: HK\$30.2 million) to banks to secure general banking facilities and bank loan granted to subsidiaries.

Commitments

The Group had capital commitments of HK\$92.5 million and operating leases commitments as lessee of HK\$7.0 million from operating as at 31 December 2013 (30 June 2013: capital HK\$93.2 million and operating HK\$6.8 million respectively).

Significant Investments, Acquisitions and Disposals

During the reporting period, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies.

Employees

As at 31 December 2013, the Company and its subsidiaries employed 198 employees (30 June 2013: 205 employees). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

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

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Company/ Name of associated corporation	Number of ordinary shares held				Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family Interest	Total Interest	
Cheung Kwai Lan ("Madam Cheung")	Company	335,291,464 (Note 1)	414,000 (Note 2)	—	335,705,464	44.50%
Chan Tung Mei ("Mr. Chan")	Company	—	—	335,705,464 (Note 1 & 2)	335,705,464	44.50%
Madam Cheung	Best Frontier	—	909	1 (Note 3)	910	—
Mr. Chan	Best Frontier	—	1	909 (Note 3)	910	—

Notes:

- The 335,291,464 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively, who are spouse to each other. Accordingly, Madam Cheung is deemed to be interested in the shares held by Best Frontier and Mr. Chan is deemed to be interested in all 335,291,464 shares by virtue of being the spouse of Madam Cheung under the SFO.
- The 414,000 shares are owned by Madam Cheung who is the spouse of Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in the shares under the SFO.

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

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

(2) Share options of the Company

Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 31 January 2013, the Company adopted a share option scheme (the "Share Option Scheme"). As at 31 December 2013, the number of share options granted by the Company pursuant to the Share Option Scheme which were valid and outstanding amounted to 50,525,000. Details of share options granted, exercised, cancelled and lapsed during the reporting period under the Share Option Scheme are set out as follows:

Grantee	Grant date	Exercise price HK\$	Exercisable period	Balance as at 1-Jul-13	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 31-Dec-13
Executive Directors									
Madam Cheung Kwai Lan	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	300,000	0	0	0	300,000
Mr. Chan Ting	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	300,000	0	0	0	300,000

Grantee	Grant date	Exercise price HK\$	Exercisable period	Balance as at 1-Jul-13	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 31-Dec-13
Non-Executive Director									
Mr. Chan Tung Mei	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	225,000	0	0	0	225,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	300,000	0	0	0	300,000
Independent Non-Executive Directors									
Mr. Zhang Xiu Fu	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	200,000	0	0	0	200,000
Mr. Yang Qing Cai	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	200,000	0	0	0	200,000
Mr. To Yan Ming Edmond	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	150,000	0	0	0	150,000
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	200,000	0	0	0	200,000
Other Eligible Participants (Note)	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	5,062,500	0	0	0	5,062,500
	10-Dec-13	1.752	1/1/2015 - 31/3/2017	0	5,062,500	0	0	0	5,062,500
	10-Dec-13	1.752	1/1/2016 - 31/3/2017	0	6,750,000	0	0	0	6,750,000
	10-Dec-13	1.752	1/4/2014 - 31/3/2017	0	2,700,000	0	0	0	2,700,000
	10-Dec-13	1.752	1/4/2015 - 31/3/2017	0	2,700,000	0	0	0	2,700,000
	10-Dec-13	1.752	1/7/2014 - 31/3/2017	0	12,250,000	0	0	0	12,250,000
	10-Dec-13	1.752	1/7/2015 - 31/3/2017	0	12,250,000	0	0	0	12,250,000
				<u>50,525,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,525,000</u>	

Note: Other Eligible Participants include certain employees, business partners and consultants of the Group.

Save as disclosed above, no options pursuant to the Share Option Scheme have been granted, exercised and cancelled during the period under review.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation” above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the directors and chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 31 December 2013.

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

As at 31 December 2013, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Group:

Long positions in the shares

Name of shareholder	Capacity	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	
Best Frontier	Beneficial Owner	335,291,464 (Note 1)	—	44.45%
Tarascon	Beneficial Owner	81,820,000	—	10.85%
Integrated Asset Management	Beneficial Owner	74,997,000 (Note 2)	—	9.94%

Note:

- The 335,291,464 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan who are spouse to each other.

2. The 74,997,000 shares are owned by Integrated Asset Management which is beneficially wholly-owned by Mr. Yam Tak Cheung.

Save as disclosed above, as at 31 December 2013, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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

During the six months ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2013, none of the Directors, the substantial shareholders or the controlling shareholder of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

PRE-EMPTIVE RIGHTS

There is 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.

CORPORATE GOVERNANCE

Corporate governance practices

During the six months ended 31 December 2013, the Company has complied with the Code (the "CG Code") of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules save and except that the Non-Executive Director and Independent Non-Executive Directors are not appointed by a specific terms under code provision A.4.1 of the CG Code but are subject to retirement by rotation in annual general meeting of the Company at least once every three years in accordance with the articles of association of the Company. The reason for the deviation is that the Company does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing

the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-Executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices. Except for the deviation from code provision A.4.1 of the CG Code, the Company has complied with all remaining provisions of the CG Code during the six months ended 31 December 2013.

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

Code of conduct regarding securities transactions by directors

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made enquiry of all Directors, the Company was not aware of any non-compliance with the required standard set out in the Code of Conduct.

Audit committee

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules and consisted of three independent non-executive directors, namely Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond. Mr. To Yan Ming Edmond is the chairman of the audit committee.

The 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 Group's unaudited results for the six months ended 31 December 2013 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.

By order of the Board
CHINA VANGUARD GROUP LIMITED
眾彩科技股份有限公司*
CHAN Ting
Executive Director

Hong Kong, 14 February 2014

* for identification purposes only

As at the date of this report, the board of directors of the Company comprises Madam Cheung Kwai Lan, Mr. Chan Ting as Executive Directors, Mr. Chan Tung Mei as Non-executive Director and Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond as Independent Non-executive Directors.