



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)

Third Quarterly 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 (“**Directors**”) of China Vanguard Group Limited (the “**Company**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules (“**GEM Listing 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 nine months ended 31 March 2014 (“**Period 2014**”), together with the comparative unaudited figures for the corresponding periods in 2013 (“**Period 2013**”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2014

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)
REVENUE	3	50,557	13,401	82,926	32,518
Cost of sales		<u>(882)</u>	<u>(567)</u>	<u>(2,094)</u>	<u>(1,792)</u>
Gross profit		49,675	12,834	80,832	30,726
Other revenue		173	486	523	881
Selling and distribution costs		(187)	(168)	(620)	(509)
Administrative expenses		<u>(18,506)</u>	<u>(15,624)</u>	<u>(50,465)</u>	<u>(51,335)</u>
Operating profit (loss)		31,155	(2,472)	30,270	(20,237)
Finance costs		(2,849)	(1,562)	(7,260)	(8,120)
Share of results of jointly controlled entities		<u>(75)</u>	<u>11,479</u>	<u>(1,432)</u>	<u>8,287</u>
PROFIT (LOSS) BEFORE TAXATION		28,231	7,445	21,578	(20,070)
Income tax expenses	4	<u>(12,824)</u>	<u>(1,389)</u>	<u>(13,018)</u>	<u>(1,860)</u>
PROFIT (LOSS) FOR THE PERIOD		<u>15,407</u>	<u>6,056</u>	<u>8,560</u>	<u>(21,930)</u>

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2014	2013	2014	2013
Notes	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
OTHER COMPREHENSIVE INCOME (EXPENSES)				
Other comprehensive income (expenses) may be classified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas operations	<u>(4,272)</u>	<u>802</u>	<u>(2,333)</u>	<u>3,460</u>
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD	<u>11,135</u>	<u>6,858</u>	<u>6,227</u>	<u>(18,470)</u>
PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Company	<u>15,756</u>	<u>6,212</u>	<u>9,471</u>	<u>(21,453)</u>
Non-controlling interests	<u>(349)</u>	<u>(156)</u>	<u>(911)</u>	<u>(477)</u>
PROFIT (LOSS) FOR THE PERIOD	<u>15,407</u>	<u>6,056</u>	<u>8,560</u>	<u>(21,930)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSES) ATTRIBUTABLE TO:				
Equity holders of the Company	<u>11,531</u>	<u>6,999</u>	<u>7,155</u>	<u>(17,947)</u>
Non-controlling interests	<u>(396)</u>	<u>(141)</u>	<u>(928)</u>	<u>(523)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD	<u>11,135</u>	<u>6,858</u>	<u>6,227</u>	<u>(18,470)</u>
EARNINGS (LOSS) PER SHARE (HK Cents)				
Basic	<u>2.05</u>	<u>0.82</u>	<u>1.25</u>	<u>(3.09)</u>
Diluted	<u>1.97</u>	<u>0.82</u>	<u>1.24</u>	<u>N/A</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 31 March 2014

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared on the historical costs 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 consolidated financial statements for the nine months ended 31 March 2014 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 nine months ended 31 March 2013 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	65,659	(7,427)	(25,714)	32,518
Cost of sales	(21,433)	4,533	15,108	(1,792)
Other revenue	1,198	(141)	(176)	881
Selling and distribution costs	(7,627)	1,971	5,147	(509)
Administrative expenses	(58,101)	1,839	4,927	(51,335)
Gain on disposal of a jointly controlled entity	—	6,608	(6,608)	—
Finance costs	(8,129)	—	9	(8,120)
Share of results of jointly controlled entities	—	—	8,287	8,287
Income tax expenses	(1,954)	30	64	(1,860)
	<u>(30,387)</u>	<u>7,413</u>	<u>1,044</u>	<u>(21,930)</u>
Loss for the period				
Loss attributable to:				
Equity holders of the Company	(28,599)	7,146	—	(21,453)
Non-controlling interests	(1,788)	267	1,044	(477)
	<u>(30,387)</u>	<u>7,413</u>	<u>1,044</u>	<u>(21,930)</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 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

2. PRIOR PERIOD ADJUSTMENTS

In preparing the consolidated financial statements for the nine months period ended 31 March 2014, the Company identified adjustments in its presentation and disclosures of certain transactions and balances in the previously issued consolidated financial statements for the nine months ended 31 March 2013. Those adjustments arising from: i) 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%; and ii) additional members of board of directors of Excellent Union were appointed on 11 January 2013. In this regard, the Group lost control over the Excellent Union, and consequently, Excellent Union became derecognized as a jointly controlled entity of the Group.

Consequently, the Company’s consolidated statement of profit or loss and other comprehensive income, and certain explanatory notes have been restated to correct those adjustments.

Effects on the consolidated statement of comprehensive income for the nine months ended 31 March 2013:

	The Group (as previously reported) HK\$'000	Prior period adjustments HK\$'000	After adjustments HK\$'000 (restated)
Revenue	65,659	(7,427)	58,232
Cost of sales	(21,433)	4,533	(16,900)
Other revenue	1,198	(141)	1,057
Selling and distribution costs	(7,627)	1,971	(5,656)
Administrative expenses	(58,101)	1,839	(56,262)
Gain on disposal of a jointly controlled entity	—	6,608	6,608
Finance costs	(8,129)	—	(8,129)
Income tax expenses	(1,954)	30	(1,924)
	<u>(30,387)</u>	<u>7,413</u>	<u>(22,974)</u>
Loss for the period			
Loss attributable to:			
Equity holders of the Company	(28,599)	7,146	(21,453)
Non-controlling interests	(1,788)	267	(1,521)
	<u>(30,387)</u>	<u>7,413</u>	<u>(22,974)</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. 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 nine months ended 31 March 2014 (three months and nine months ended 31 March 2013: HK\$Nil).

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

5. DIVIDEND

The Board does not recommend the payment of any dividend for the three months and nine months ended 31 March 2014 (three months and nine months ended 31 March 2013: HK\$Nil).

6. 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) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period for the purpose of basic and diluted earnings (loss) per share	15,756	6,212	9,471	(21,453)

Number of shares

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2014	2013	2014	2013
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	769,381	754,379	759,306	694,890
Effect of dilutive potential ordinary shares:				
Exercise of share options	29,550	—	2,522	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	798,931	754,379	761,828	694,890

Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the Group's profit (loss) attributable to the equity holders of the Company for the period divided by the weighted average number of shares in issue during the period.

Diluted earnings (loss) per share

The diluted earnings (loss) per share is based on the Group's profit (loss) attributable to the equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings (loss) per share calculation, and the weighted average number of shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares of the Company.

No diluted loss per share has been presented for the nine months ended 31 March 2013 as the outstanding potentially dilutive ordinary shares of the Company are anti-dilutive since their exercise or conversion would result in a decrease in loss per share.

The diluted earnings per share for the three months ended 31 March 2014 has not included the dilutive effect from potential issuance of convertible bonds as it is anti-dilutive since the inclusion of both imputed finance cost and number of convertible bonds in the calculation would result in an increase in earnings per share.

7. MOVEMENT OF RESERVES

For the nine months ended 31 March 2014

	Attributable to equity holders of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2013 (audited)	2,195,554	234	—	35,572	—	19,278	(1)	10,184	(2,258,364)	2,457
Profit for the period	—	—	—	—	—	—	—	—	9,471	9,471
Exchange differences on translation of financial statements of overseas operations	—	—	—	—	—	(2,316)	—	—	—	(2,316)
Total comprehensive income (expenses) for the period	—	—	—	—	—	(2,316)	—	—	9,471	7,155
Repurchase of shares	(39,872)	—	—	—	—	—	—	—	—	(39,872)
Placement of shares	267,506	—	—	—	—	—	—	—	—	267,506
Recognition of equity-settled share-based payments	—	—	—	—	6,132	—	—	—	—	6,132
Convertible bonds – equity component	—	—	28,963	—	—	—	—	—	—	28,963
Deferred tax liabilities arising from issuance of convertible bonds	—	—	(4,779)	—	—	—	—	—	—	(4,779)
At 31 March 2014 (unaudited)	2,423,188	234	24,184	35,572	6,132	16,962	(1)	10,184	(2,248,893)	267,562

For the nine months ended 31 March 2013 (restated)

	Attributable to equity holders of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2012 (audited)	2,165,054	234	—	35,572	11,092	12,904	(1)	10,184	(2,227,934)	7,105
Loss for the period	—	—	—	—	—	—	—	—	(21,453)	(21,453)
Exchange differences on translation of financial statements of overseas operations	—	—	—	—	—	3,506	—	—	—	3,506
Total comprehensive income (expenses) for the period	—	—	—	—	—	3,506	—	—	(21,453)	(17,947)
Shares issued on loan capitalization	30,500	—	—	—	—	—	—	—	—	30,500
Share options lapsed	—	—	—	—	(11,092)	—	—	—	11,092	—
At 31 March 2013 (unaudited)	2,195,554	234	—	35,572	—	16,410	(1)	10,184	(2,238,295)	(19,658)

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 2014, the Group recorded total revenue of HK\$82.9 million, significantly increased by 155% against Period 2013's HK\$32.5 million. During the third quarter of Period 2014, the Group recorded an income of approximately HK\$44 million generated from the Group's ordinary PRC lottery business in the past which could not be measured reliably. Gross profit ratio for Period 2014 increased to 97.5% as compared with Period 2013's 94.5%.

For Period 2014, the Group recorded a net profit attributable to the equity holders of HK\$9.5 million against a net loss of HK\$21.5 million for Period 2013.

The administrative expenses for Period 2014 decreased by 1.7% to HK\$50.5 million compared to Period 2013's HK\$51.3 million. For the Period 2014, the Company recognised a share-based payment expense amounted HK\$6.1 million in the administrative expenses to reflect the fair value amortised for the period for the share options of the Company granted in December 2013.

Finance costs amounted HK\$7.3 million for Period 2014 comprised of HK\$5.3 million interest on loan and bank borrowings and HK\$2.0 million imputed finance costs and coupon interest for convertible bonds issued in January 2014. The whole amount of HK\$8.1 million finance costs for Period 2013 was purely from interest on loan and bank borrowings.

Business Review

The Group's principle business includes lottery solutions and related services, and land and property development. During this reporting period, the Group has achieved great success in financial performance. The group has recorded an operating profit of approximately \$31 million, comparing to a loss from the same period last year. The profit is largely attributable to the Group's lottery solutions and related services.

On 5 March 2014, the Group completed a placing of shares with net proceeds totaling approximately \$270 million with renowned institutional investors such as GAM Hong Kong Limited.

Lottery Operations

The Group is authorized to operate its lottery solutions and related services in the provision of lottery equipment, software and related services and operate a solid lottery distribution network for both China Welfare Lottery authorities and China Sports Lottery authorities.

With the proven capability in research and development and a long standing well-established relationship with government authorities, we have seen great success in lottery business through organic growth this quarter. Our operation performance has achieved great success and we have expanded our business from welfare lottery into sport lottery. And this quarter we have seen our success replicated in our new generation interactive self-service lottery business.

Land and Property Development Operation

The Group's land and property development operation include class 1 land development, the promotion of the sales of land in Guizhou and Dalong Economic Development Zone, property management and consultancy services.

We are currently in the process of considering forming strategic local partnership in regards to the development of the land. We will continue utilize our resources and experiences to explore more business opportunities in the market.

Outlook

As one of the world's most highly anticipated sports event, the 2014 FIFA World Cup is going to be held in Brazil in June. We expect to see tremendous opportunities in the sports lottery business in China with the anticipated increase of sports lottery awareness also the strong catalyst for the lottery game.

We have expanded our business into the sports lottery sector and we perceive a uptrend of a broadened operation footprint. We expect to see a substantial growth in the comprehensive, interactive lottery solution service.

We also expect to penetrate into more diversified sales channels such as self-operated shops and franchise stores. Our positioning as an innovative multi-dimensional lottery solutions and related services provider in China has become more and more apparent.

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 March 2014, 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 Directors	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") (Note)	Company	335,291,464	414,000	5,000	335,710,464	41.51%
Chan Tung Mei ("Mr. Chan") (Note)	Company	—	5,000	335,705,464	335,710,464	41.51%
Madam Cheung	Best Frontier Investments Limited ("Best Frontier")	—	909	1 (Note)	910	—
Mr. Chan	Best Frontier	—	1	909 (Note)	910	—

Note: Madam Cheung is the spouse of Mr. Chan. Madam Cheung and Mr. Chan each beneficially owns 414,000 shares and 5,000 shares respectively. They hold in aggregate 335,291,464 shares through Best Frontier which is held by Madam Cheung and Mr. Chan as to 99.89% and 0.11%.

Save as disclosed above, as at 31 March 2014, 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 March 2014, 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	Number of share options					Balance as at 31-Mar-14
				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	
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
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

Grantee	Grant date	Exercise price HK\$	Exercisable period	Number of share options					Balance as at 31-Mar-14
				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	
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>0</u>	<u>50,525,000</u>	<u>0</u>	<u>0</u>	<u>0</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 nine months ended 31 March 2014.

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

As at 31 March 2014, 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 Directors or chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who 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 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:

Long positions in the shares

Name of shareholders	Capacity	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	
Best Frontier & its concert parties (<i>Note 1</i>)	Beneficial Owner	335,710,464	—	41.51%
Tarascon Asia Absolute Fund (Cayman) Ltd	Beneficial Owner	81,820,000	—	10.12%
Integrated Asset Management (Asia) Limited & its concert parties (<i>Note 2</i>)	Beneficial Owner	75,997,000	—	9.40%
GAM Hong Kong Limited	Investment Manager	57,260,000	—	7.08%

Notes:

- 1) 335,291,464 shares are held by Best Frontier which is owned as at 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively. Madam Cheung is the spouse of Mr. Chan and so both of them are deemed to be interested in the shares. In addition, Madam Cheung and Mr. Chan directly beneficially holds 414,000 shares and 5,000 shares respectively.
- 2) 75,997,000 shares are held by Integrated Asset Management (Asia) Limited which is wholly-owned by Mr. Yam Tak Cheung. A 2% coupon convertible bond (“CB”) in aggregate amount of HK\$89,625,000 for a term of three years was issued to Integrated Asset Management (Asia) Limited pursuant to the subscription agreement dated 13 January 2014. A maximum of 37,500,000 new shares will be allotted and issued to Integrated Asset Management (Asia) Limited upon conversion of the CB in full and thereafter the shareholding of Integrated Asset Management (Asia) Limited will be increased to 14.03%. The initial conversion price is HK\$2.39 per conversion share subject to adjustments.

Save as disclosed above, as at 31 March 2014, 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 nine months ended 31 March 2014, 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 March 2014, 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 nine months ended 31 March 2014, 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 nine months ended 31 March 2014.

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 nine months ended 31 March 2014 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 May 2014

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.

* *for identification purposes only*