



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)



First Quarterly Report
2015 / 2016

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 directors (the “**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 Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

Quarterly Results for the Three Months Ended 30 September 2015

The board (the “**Board**”) of directors (“**Directors**”) of China Vanguard Group Limited (the “**Company**”) announces that the unaudited consolidated results of the Company and its subsidiaries (together as the “**Group**”) for the three months ended 30 September 2015 (“**Period 2015**”), together with the comparative unaudited figures for the corresponding period in 2014 (“**Period 2014**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 September	
	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	2	17,307	19,895
Costs of sales		(1,021)	(828)
Gross profit		16,286	19,067
Other revenue		1,441	299
Selling and distribution costs		(1,521)	(924)
Administrative expenses		(22,542)	(19,261)
Operating (loss) profit		(6,336)	(819)
Finance costs		(2,891)	(1,337)
Share of results of a joint venture		(341)	928
(LOSS) PROFIT BEFORE TAXATION		(9,568)	(1,228)
Income tax	4	1,055	3,716
(LOSS) PROFIT FOR THE PERIOD		(8,513)	2,488
OTHER COMPREHENSIVE (EXPENSES) INCOME			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of foreign operations		(4,266)	2,570
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD		(12,779)	5,058

Quarterly Results for the Three Months Ended 30 September 2015

		(Unaudited) Three months ended 30 September	
	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
(LOSS) PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company		(7,641)	3,488
Non-controlling interests		(872)	(1,000)
(LOSS) PROFIT FOR THE PERIOD		(8,513)	2,488
TOTAL COMPREHENSIVE (EXPENSES) INCOME ATTRIBUTABLE TO:			
Equity holders of the Company		(12,856)	5,939
Non-controlling interests		77	(881)
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD		(12,779)	5,058
(LOSS) EARNINGS PER SHARE			(Restated)
Basic	5	(HK0.24 cent)	HK0.11 cent
Diluted		N/A	HK0.11 cent

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 30 September 2015

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 (“**HKFRSs**”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the three months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2015.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2015. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

2. REVENUE

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

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable. Revenue recognized during the period is as follows:

	(Unaudited) Three months ended 30 September	
	2015 HK\$’000	2014 HK\$’000
Revenue		
Lottery-related business	17,307	15,228
Land and property development, trading and consulting services	—	4,667
Others	—	—
	17,307	19,895

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 30 September 2015

3. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting):

	(Unaudited) Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Cost of sales	1,021	828
Equity-settled share-based payments	1,424	2,627
Depreciation of property, plant and equipment	733	910
Interest income	(299)	(78)
Exchange (gain) loss, net	(930)	536
Interest on:		
— Convertible bonds	2,891	1,337

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 during Period 2015 (Period 2014: Nil).

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 30 September 2015

5. (LOSS) EARNINGS PER SHARE

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

Earnings

	(Unaudited) Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
(Loss) profit for the period attributable to the equity holders of the Company	(7,641)	3,488

Number of shares

	Three months ended 30 September	
	2015 '000	2014 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	3,209,459	3,215,670
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	3,310,132	3,307,827

For the three months ended 30 September 2015, 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.

For the three months ended 30 September 2014, outstanding convertible bonds of the Company are anti-dilutive since their exercise or concession would result in an increase in earnings per share.

Note: The comparative number of shares for the purpose of basis and diluted earning for three months ended 30 September 2014 has been adjusted to reflect the impact of share sub-division on 17 December 2014.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 30 September 2015

6. MOVEMENT OF RESERVES

For the period ended 30 September 2015

	Attributable to equity holders of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2015 (audited)	2,430,724	1,484	35,572	10,961	17,322	24,184	(1)	10,184	(2,225,018)	305,412
Loss for the period	—	—	—	—	—	—	—	—	(7,641)	(7,641)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	(5,215)	—	—	—	—	(5,215)
Total comprehensive expenses for the period	—	—	—	—	(5,215)	—	—	—	(7,641)	(12,856)
Recognition of equity-settled share-based payments	—	—	—	1,424	—	—	—	—	—	1,424
Exercise of share options	—	—	—	(350)	—	—	—	—	—	(350)
Share options lapsed	—	—	—	(142)	—	—	—	—	142	—
Shares issued upon exercise of share options	1,325	—	—	—	—	—	—	—	—	1,325
At 30 September 2015 (unaudited)	2,432,049	1,484	35,572	11,893	12,107	24,184	(1)	10,184	(2,232,517)	294,955

For the period ended 30 September 2014

	Attributable to equity holders of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2014 (audited)	2,436,474	1,181	35,572	6,202	17,201	24,184	(1)	10,184	(2,244,288)	286,709
Profit for the period	—	—	—	—	—	—	—	—	3,488	3,488
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	2,451	—	—	—	—	2,451
Total comprehensive income for the period	—	—	—	—	2,451	—	—	—	3,488	5,939
Recognition of equity-settled share-based payments	—	—	—	2,627	—	—	—	—	—	2,627
Exercise of share options	—	—	—	(613)	—	—	—	—	—	(613)
Share options lapsed	—	—	—	(25)	—	—	—	—	25	—
Shares issued upon exercise of share options	2,119	—	—	—	—	—	—	—	—	2,119
At 30 September 2014 (unaudited)	2,438,593	1,181	35,572	8,191	19,652	24,184	(1)	10,184	(2,240,775)	296,781

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 30 September 2015

7. **APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS**

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 13 November 2015.



FINANCIAL REVIEW

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

For Period 2015, the Group recorded unaudited consolidated revenue of HK\$17.3 million, decreased 13% against Period 2014's HK\$19.9 million. The Group's property operations did not make any revenue contributions during Period 2015 which caused the major decline in revenue. Revenue generated from lottery-related business remained relatively stable with healthy growth. The gross profit ratio has maintained at about 94% as compared with 96% for Period 2014.

The Group recorded a net loss attributable to the equity holders of HK\$7.6 million for Period 2015, against a profit of HK\$3.5 million for Period 2014. Operating expenses comprised selling and distribution costs and administrative expenses amounted to HK\$24.1 million in Period 2015, increased by 19% as compared to HK\$20.2 million in Period 2014. The increase in operating expenses over the period was due to the Group's continuous efforts in developing its lottery-related operations. Finance cost increased significantly in Period 2015 relating to interest on convertible bonds.

BUSINESS REVIEW

LOTTERY-RELATED BUSINESS

The Group is a leading lottery service provider specializing in the provision of end-to-end services to sports and welfare lottery centres across 21 provinces in the PRC. During the review period, the Group has continued to dedicate itself in strengthening its service offering to lottery centres in addition to providing supporting and value-added services rendered to customers. Revenue from lottery-related services has increased from HK\$15.2 million from Period 2014 to HK\$17.3 million from Period 2015.

The Board maintained the view that gamification of lottery content along with the adoption of more interactive content will continue to be instrumental in shaping the future of the PRC's lottery industry. During the review period, while the Group remained open to geographical expansion and upgrade of existing stores and adding new stores, we have refocused our efforts towards enriching service delivery through partnering with leading purveyors of innovative technologies via entering into key strategic cooperation agreements instead.

On 11 August 2015, the Group announced a partnership with All In Pay Network Services Co., Ltd. (“通聯支付網絡服務股份有限公司” or “All In Pay”), in a collaborative effort to develop a full-fledged, systematic solution whereas All In Pay shall provide the Group with bank card settlement and other professional services. All In Pay shall provide a tailor-made, integrated all-in-one payment and settlement solution to the Group within its current products and services portfolio, which includes e-payment, convenient payment, payment collection, bill payment, mobile payment, TV payment, prepaid cards and membership cards payment in addition to other payment and settlement services and related value-added services, such as WeChat payment, Alipay, pre-paid value recharge, public utilities bills settlement.

As one of the largest financial outsourcing and integrated-payment services company in the PRC with its key business in the provision of one-stop payment solutions to a variety of merchants and individuals, specializing in third-party payment services for numerous types of financial institutions including banks, equity securities, and investment funds, the Board is of the view that All In Pay's keen understanding of the payment solutions industry coupled with its flexible yet secure products and solutions that meet the needs of customer will strengthen the Company's market leading position in the lottery industry.

The Group has began working towards forming strategic cooperation with smart city platforms and solutions providers for the development of a new sales channel for the Group's lottery business. The Group will provide various lottery business solutions and self-service terminals within the realms of the regulatory framework. The Management is of the view that smart community integrated service platforms while incorporating Internet and Cloud computing technologies, will be a game-changer to digital community service delivery systems.

The Management believe the uniqueness of the Group's strategy shall be beneficial to both lottery centres' and the end-users'. With a unique operating model that is increasingly resembling a distribution network that reaches into different provinces across the PRC, the Group has brought about an effectively designed lottery service solutions platform that can be customized to cater the specific markets and requirements of every province or municipal.

As we manage our business as a service platform, the Group will also be enabled to collect and provide market intelligence nationwide through our partnerships with various business partners, ensuring efficient and effective delivery of our services.

OUTLOOK AND STRATEGIES

As gamification and interactive lottery content continue to shape the future of The PRC's lottery industry, looking ahead, the Group will continue to dedicate itself to strengthening our service offerings, to expand our geographic presence as well as our portfolio of services offered to lottery centres in addition to providing support and value-added services rendered to customers. Our strategy will focus on market penetration at a community-level as an innovative service platform as we prepare ourselves and pave way for the impending growth of the dynamic lottery industry in The PRC. The Management will continue to evaluate new business opportunities that will be complementary to the Group's strategies and strengths within this dynamic and growing sector in the PRC.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2015 (three months ended 30 September 2014: Nil).

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

As at 30 September 2015, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK\$0.0125 each of the Company (the "Share(s)"), 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 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 into 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 Shares of the Company or Any of Its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Notes 1 & 2)	The Company	1,103,565,856	1,656,000	260,000	1,105,481,856	33.44%
Mr. CHAN Tung Mei ("Mr. CHAN") (Notes 1 & 3)	The Company	—	260,000	1,105,221,856	1,105,481,856	33.44%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	1	910	—
Mr. CHAN	Best Frontier	—	1	909	910	—
Mr. YANG Qing Cai ("Mr. YANG") (Note 4)	The Company	—	200,000	—	200,000	0.01%

Notes:

- 1,103,565,856 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN respectively. In addition, Madam CHEUNG and Mr. CHAN directly holds 1,656,000 Shares and 260,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.

2. The personal interests of Madam CHEUNG represents the interest in 1,656,000 Shares and interest in 3,000,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share Options”.
3. The personal interests of Mr. CHAN represents the interest in 260,000 Shares and interest in 2,760,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share Options”.
4. The personal interests of Mr. YANG represents the interest in 200,000 Shares and interest in 1,800,000 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share Options”.

2. Share Options

The Company conditionally adopted a share option scheme on 31 January 2013 under which the Board may, at its discretion, invite eligible persons to take up to subscribe for the Shares in the Company (the “**Share Option Scheme**”). Eligible persons shall include any directors, employees and consultants of the Company or of any subsidiary of the Company or such other persons whom at the sole discretion of the Board are deemed to have contributed to the Group at the time when an option is granted to such person. The Share Option Scheme will remain valid for a period of 10 years commencing from the date of adoption of the Share Option Scheme.

During the three months ended 30 September 2015, 24,220,000 Share Options with exercise price of HK\$1.28 per Share were granted by Company to certain employees and other eligible participants. Reference is made to the announcement of the Company dated 22 July 2015.

The details of the movements in Share Options under Share Options Scheme during the period were as follows:—

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options				As at 30 September 2015	
				As at 1 July 2015 (Note 1)	Granted	Exercised	Cancelled		Lapsed
Directors									
Madam CHEUNG Kwai Lan	10/12/2013	0.438	01/04/2014 - 31/03/2017	900,000	—	—	—	—	900,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	900,000	—	—	—	—	900,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	1,200,000	—	—	—	—	1,200,000
Mr. CHAN Ting	10/12/2013	0.438	01/04/2014 - 31/03/2017	900,000	—	—	—	—	900,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	900,000	—	—	—	—	900,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	1,200,000	—	—	—	—	1,200,000
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 - 31/03/2017	760,000	—	(100,000)	—	—	660,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	900,000	—	—	—	—	900,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	1,200,000	—	—	—	—	1,200,000
Mr. TO Yan Ming Edmond	10/12/2013	0.438	01/01/2016 - 31/03/2017	800,000	—	—	—	—	800,000
Mr. ZHANG Xiu Fu	10/12/2013	0.438	01/04/2014 - 31/03/2017	600,000	—	—	—	—	600,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	600,000	—	—	—	—	600,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	800,000	—	—	—	—	800,000
Mr. YANG Qing Cai	10/12/2013	0.438	01/04/2014 - 31/03/2017	400,000	—	—	—	—	400,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	600,000	—	—	—	—	600,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	800,000	—	—	—	—	800,000
			Sub-total	13,460,000	—	(100,000)	—	—	13,360,000

Management Discussion and Analysis

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options				As at 30 September 2015	
				As at 1 July 2015 (Note 1)	Granted	Exercised	Cancelled		Lapsed
Employees	10/12/2013	0.438	01/04/2014 - 31/03/2017	2,064,000	—	(12,000)	—	2,052,000	
	10/12/2013	0.438	01/01/2015 - 31/03/2017	5,777,000	—	(1,048,000)	—	4,729,000	
	10/12/2013	0.438	01/01/2016 - 31/03/2017	22,704,000	—	—	—	22,544,000	
	13/06/2014	0.952	01/07/2015 - 30/06/2018	4,752,000	—	(130,000)	—	4,569,000	
	13/06/2014	0.952	01/07/2016 - 30/06/2018	4,752,000	—	—	—	4,524,000	
	13/06/2014	0.952	01/07/2017 - 30/06/2018	6,336,000	—	—	—	6,032,000	
	21/07/2015	1.280	01/07/2016 - 30/06/2019	—	1,266,000	—	—	1,266,000	
	21/07/2015	1.280	01/07/2017 - 30/06/2019	—	1,266,000	—	—	1,266,000	
	21/07/2015	1.280	01/07/2018 - 30/06/2019	—	1,688,000	—	—	1,688,000	
				Sub-total	46,385,000	4,220,000	(1,190,000)	—	(745,000)
Other Eligible Participants (Note 2)	10/12/2013	0.438	01/04/2014 - 31/03/2017	280,000	—	—	—	280,000	
	10/12/2013	0.438	01/01/2015 - 31/03/2017	596,000	—	—	—	596,000	
	10/12/2013	0.438	01/01/2016 - 31/03/2017	1,104,000	—	—	—	1,104,000	
	10/12/2013	0.438	01/04/2014 - 31/03/2017	10,760,000	—	—	—	10,760,000	
	10/12/2013	0.438	01/04/2015 - 31/03/2017	10,800,000	—	—	—	10,800,000	
	10/12/2013	0.438	01/07/2014 - 31/03/2017	46,000,000	—	—	—	46,000,000	
	10/12/2013	0.438	01/07/2015 - 31/03/2017	49,000,000	—	(845,000)	—	48,155,000	
	13/06/2014	0.952	01/07/2015 - 30/06/2018	21,600,000	—	—	—	21,600,000	
	13/06/2014	0.952	01/07/2016 - 30/06/2018	21,600,000	—	—	—	21,600,000	
	21/07/2015	1.280	01/07/2016 - 30/06/2019	—	10,000,000	—	—	10,000,000	
21/07/2015	1.280	01/07/2017 - 30/06/2019	—	10,000,000	—	—	10,000,000		
			Sub-total	161,740,000	20,000,000	(845,000)	—	—	180,895,000
			Total	221,585,000	24,220,000	(2,135,000)	—	(745,000)	242,925,000

Notes:

- In respect of share subdivision becoming effective on 17 December 2014, the total number of Shares that would be eligible to be issued upon full exercise of the Share Options of the Company granted 10 December 2013 and 13 June 2014 were adjusted and also with exercise price of HK\$1.752 and HK\$3.806 was adjusted to HK\$0.438 and HK\$0.952 per Share respectively.
- Other Eligible Participants include certain business partners and consultants of the Group.

Save as disclosed above, as at 30 September 2015, none of the Directors and chief executive of the Company had 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) that are required to be notified to the Company and the Stock Exchange pursuant to Division 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 into 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 the Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

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 three months ended 30 September 2015.

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

Long Positions in the Shares

<u>Name of Shareholders</u>	<u>Capacity</u>	<u>Number of Issued Share Held</u>	<u>Approximate Percentage of the Shareholding</u>
Best Frontier & its concert parties (Note 1)	Beneficial Owner	1,105,481,856	33.44%
Integrated Asset Management Limited (" Integrated Asset ") & its concert parties (Note 2)	Beneficial Owner	420,188,000	13.09%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.51%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	168,225,000	5.24%

Notes:

- 1,103,565,856 Shares are owned by Best Frontier which is owned by 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly beneficially holds 1,656,000 and 260,000 Share respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to have interests in the Shares.

- 420,188,000 Shares are owned by Integrated Asset which is wholly owned by Mr. YAM Tak Cheung. A 2% coupon convertible bonds in aggregate amount of HK\$89,625,000 for a term of three years was issued to Integrated Assets pursuant to the subscription agreement dated 13 January 2014 (the “**Bonds**”). A maximum of 150,000,000 Shares will be allotted and issued to Integrated Asset upon conversion of the Bonds in full and thereafter the shareholding of Integrated Asset will be increased to approximately 17.76% of the current issued share capital of the Company and approximately 16.97% of the enlarged issued share capital of the Company. The initial conversion price is HK\$0.598 per conversion share subject to adjustment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the three months ended 30 September 2015, 2,135,000 Shares were issued to eligible persons after they had exercised their Share Option rights. Net proceeds exclusive of handling fees of HK\$1,001,950 was received.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s Shares during the period.

COMPETING INTERESTS

As at 30 September 2015, none of Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company 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 PRACTICES

The Company has adopted and complied with the applicable code of provisions as out in Appendix 15 to the GEM Listing Rules on the Stock Exchange (the “**Code**”) during the three months ended 30 September 2015, except for the following deviations which are summarized below:

Code provision A.4.1

The Non-executive Director and Independent Non-executive Directors (the “**INEDs**”) of the Company are not appointed under a specific terms but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company. The Company does not believe that arbitrary term limits on Directors’ services are appropriate given that Directors ought to be committed to representing the long term interests of the Company’s shareholders. The retirement and re-election requirements of INEDs have given the rights to the Company’s shareholders to approve continuation of INEDs’ offices.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with Listing Rules requirements when the Board considers appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding Directors’ securities transaction in the Shares of the Company. Having made specific enquires, the Company has confirmed with all Directors that they have complied with the required standards as set out in the Code of Conduct during the three months ended 30 September 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules and consisted of three INEDs, 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, interim report 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 three months ended 30 September 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have 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 and Chief Executive Officer

Hong Kong, 13 November 2015

As at the date of this report, the Board 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