



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  
2015 / 2016

# Interim Results for the Six Months Ended 31 December 2015

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Vanguard Group Limited (the “**Company**”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (together as the “**Group**”) for the three months and six months ended 31 December 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

For the three months and six months ended 31 December 2015

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2	3,855	47,347	21,162	67,242
Costs of sales		(1,188)	(1,857)	(2,209)	(2,685)
Gross profit		2,667	45,490	18,953	64,557
Other revenue	2	2,759	2,705	4,200	3,004
Selling and distribution costs		(3,288)	(1,658)	(4,809)	(2,582)
Administrative expenses		(20,067)	(21,530)	(42,609)	(40,791)
Operating (loss) profit	4	(17,929)	25,007	(24,265)	24,188
Finance costs	5	(2,973)	(3,922)	(5,864)	(5,259)
Share of results of a joint venture		(304)	(385)	(645)	543
<b>(LOSS) PROFIT BEFORE TAXATION</b>		<b>(21,206)</b>	20,700	<b>(30,774)</b>	19,472
Income tax	6	589	(1,262)	1,644	2,454
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(20,617)</b>	19,438	<b>(29,130)</b>	21,926
<b>OTHER COMPREHENSIVE (EXPENSES) INCOME</b>					
<i>Items that may be classified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of overseas operations		(4,287)	(2,995)	(8,553)	(425)
<b>TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD</b>		<b>(24,904)</b>	16,443	<b>(37,683)</b>	21,501

## Interim Results for the Six Months Ended 31 December 2015

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>(LOSS) PROFIT ATTRIBUTABLE TO:</b>					
Equity holders of the Company		(18,205)	11,573	(25,846)	15,061
Non-controlling interests		(2,412)	7,865	(3,284)	6,865
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(20,617)</b>	19,438	<b>(29,130)</b>	21,926
<b>TOTAL COMPREHENSIVE (EXPENSES) INCOME ATTRIBUTABLE TO:</b>					
Equity holders of the Company		(22,315)	8,921	(35,171)	14,860
Non-controlling interests		(2,589)	7,522	(2,512)	6,641
<b>TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD</b>		<b>(24,904)</b>	16,443	<b>(37,683)</b>	21,501
<b>(LOSS) EARNINGS PER SHARE</b>					
Basic	7	(HK0.57 cent)	HK0.36 cent	(HK0.81 cent)	HK0.47 cent
Diluted		N/A	HK0.33 cent	N/A	HK0.42 cent

## Interim Results for the Six Months Ended 31 December 2015

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	(Unaudited) 31 December 2015 HK\$'000	(Audited) 30 June 2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	15,418	11,783
Goodwill		174,050	174,050
Other intangible assets		18,600	19,541
Interests in a joint venture		15,104	16,077
		<b>223,172</b>	221,451
<b>CURRENT ASSETS</b>			
Inventories		1,202	1,425
Trade and other receivables and prepayments	9	168,184	151,478
Bank balances and cash		71,150	92,942
		<b>240,536</b>	245,845
<b>CURRENT LIABILITIES</b>			
Trade payables, accrued liabilities and other payables	10	52,820	27,665
Tax liabilities		4,741	5,265
Amounts due to directors		1,046	45
		<b>58,607</b>	32,975
<b>NET CURRENT ASSETS</b>		<b>181,929</b>	212,870
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>405,101</b>	434,321
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	11	78,198	73,238
Deferred taxation	12	2,463	3,132
		<b>80,661</b>	76,370
<b>NET ASSETS</b>		<b>324,440</b>	357,951
<b>CAPITAL AND RESERVES</b>			
Share capital	13	40,132	40,097
Reserves		274,378	305,412
Equity attributable to equity holders of the Company		314,510	345,509
Non-controlling interests		9,930	12,442
<b>TOTAL EQUITY</b>		<b>324,440</b>	357,951

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 31 December 2015*

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Net cash (outflow) inflow from operating activities	<b>(9,686)</b>	11,368
Net cash outflow from investing activities	<b>(6,485)</b>	(28,832)
Net cash inflow (outflow) from financing activities	<b>1,314</b>	(11,695)
Net decrease in cash and cash equivalents	<b>(14,857)</b>	(29,159)
Cash and cash equivalents at beginning of period	<b>92,942</b>	151,870
Effect of foreign exchange rate changes	<b>(6,935)</b>	2,036
Cash and cash equivalents at end of period	<b>71,150</b>	124,747

## Interim Results for the Six Months Ended 31 December 2015

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Attributable to equity holders of the Company												
	Share capital HK\$'000	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	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2015 (audited)	40,097	2,430,724	1,484	35,572	10,961	17,322	24,184	(1)	10,184	(2,225,018)	345,509	12,442	357,951
Loss for the period	—	—	—	—	—	—	—	—	—	(25,846)	(25,846)	(3,284)	(29,130)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	—	(9,325)	—	—	—	—	(9,325)	772	(8,553)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	(9,325)	—	—	—	(25,846)	(35,171)	(2,512)	(37,683)
Recognition of equity-settled share-based payments	—	—	—	—	2,858	—	—	—	—	—	2,858	—	2,858
Share options lapsed	—	—	—	—	(1,424)	—	—	—	—	1,424	—	—	—
Share issued upon exercise of share options	35	1,755	—	—	(476)	—	—	—	—	—	1,314	—	1,314
<b>At 31 December 2015 (unaudited)</b>	<b>40,132</b>	<b>2,432,479</b>	<b>1,484</b>	<b>35,572</b>	<b>11,919</b>	<b>7,997</b>	<b>24,184</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,249,440)</b>	<b>314,510</b>	<b>9,930</b>	<b>324,440</b>

For the six months ended 31 December 2014

	Attributable to equity holders of the Company												
	Share capital HK\$'000	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	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2014 (audited)	40,155	2,436,474	1,181	35,572	6,202	17,201	24,184	(1)	10,184	(2,244,288)	326,864	10,630	337,494
Profit for the period	—	—	—	—	—	—	—	—	—	15,061	15,061	6,865	21,926
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	—	(201)	—	—	—	—	(201)	(224)	(425)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	(201)	—	—	—	15,061	14,860	6,641	21,501
Recognition of equity-settled share-based payments	—	—	—	—	5,187	—	—	—	—	—	5,187	—	5,187
Share options lapsed	—	—	—	—	(404)	—	—	—	—	404	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	2,462	2,462
Shares repurchased	(255)	(14,369)	255	—	—	—	—	—	—	(255)	(14,624)	—	(14,624)
Share issued upon exercise of share options	60	2,869	—	—	(827)	—	—	—	—	—	2,102	—	2,102
<b>At 31 December 2014 (unaudited)</b>	<b>39,960</b>	<b>2,424,974</b>	<b>1,436</b>	<b>35,572</b>	<b>10,158</b>	<b>17,000</b>	<b>24,184</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,229,078)</b>	<b>334,389</b>	<b>19,733</b>	<b>354,122</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 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 the GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the six months ended 31 December 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 AND OTHER REVENUE

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

	<b>(Unaudited) Six months ended 31 December</b>	
	<b>2015 HK\$'000</b>	2014 HK\$'000
Revenue		
Lottery-related services	<b>21,162</b>	62,562
Land and property development, trading and consulting services	—	4,666
Others	—	14
	<b>21,162</b>	67,242
Other revenue		
Investment income	—	2,437
Interest income	<b>420</b>	111
Consulting income	—	120
Exchange gain, net	<b>3,290</b>	—
Others	<b>490</b>	336
	<b>4,200</b>	3,004

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 3. SEGMENT INFORMATION

#### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

#### Six months ended 31 December 2015 (Unaudited)

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	21,162	—	—	21,162
<b>Segment results</b>	<b>(4,748)</b>	<b>(29)</b>	<b>(35)</b>	<b>(4,812)</b>
Unallocated income				3,038
Unallocated expenses				(22,491)
Share of results of a joint venture				(646)
Finance costs				(5,863)
<b>Loss before taxation</b>				<b>(30,774)</b>
Income tax				1,644
<b>Loss for the period</b>				<b>(29,130)</b>
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>				
Additions to property, plant and equipment	5,765	—	—	5,765
Depreciation and amortization	1,569	18	—	1,587



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

Six months ended 31 December 2014 (Unaudited)

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	62,562	4,666	14	67,242
Segment results	36,334	4,509	(331)	40,512
Unallocated income				2,815
Unallocated expenses				(19,139)
Share of results of a joint venture				543
Finance costs				(5,259)
Profit before taxation				19,472
Income tax				2,454
Profit for the period				21,926
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	2,560	—	—	2,560
Depreciation and amortization	1,297	18	—	1,315

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### (b) Segment assets and liabilities

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

#### As at 31 December 2015 (Unaudited)

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	335,702	17,284	1,783	354,769
Unallocated assets				108,939
Total Assets				463,708
<b>Liabilities</b>				
Segment liabilities	17,202	711	—	17,913
Unallocated liabilities				43,157
Convertible bonds				78,198
Total Liabilities				139,268

#### As at 30 June 2015 (Audited)

	Lottery- related services HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	412,095	16,052	710	428,857
Unallocated assets				38,439
Total Assets				467,296
<b>Liabilities</b>				
Segment liabilities	21,714	524	—	22,238
Unallocated liabilities				13,869
Convertible bonds				73,238
Total Liabilities				109,345

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 4. OPERATING (LOSS) PROFIT

Operating (loss) profit has been arrived at after charging (crediting):

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Cost of sales	<b>2,209</b>	2,685
Equity-settled share-based payments	<b>2,858</b>	5,187
Depreciation of property, plant and equipment	<b>1,669</b>	1,844
Interest income	<b>(420)</b>	(111)
Exchange (gain) losses, net	<b>(3,290)</b>	302

### 5. FINANCE COSTS

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interest on:		
— Convertible bonds	<b>5,864</b>	5,259
— Borrowings wholly repayable within five years	<b>—</b>	—
	<b>5,864</b>	5,259

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 6. INCOME TAX

The amount of tax charged to the consolidated statements of profit or loss and other comprehensive income represents:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
The charge comprises:		
Current period		
— Hong Kong profits tax	—	—
— Other jurisdiction	—	1,626
	—	1,626
(Over) under provision in the prior periods		
— Hong Kong profits tax	—	—
— Other jurisdiction	<b>(975)</b>	(3,510)
	<b>(975)</b>	(3,510)
	—	—
Deferred taxation	<b>(669)</b>	(570)
Income tax credit for the period	<b>(1,644)</b>	(2,454)

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 2015 (three months and six months ended 31 December 2014: HK\$Nil).

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 7. (LOSS) EARNINGS PER SHARE

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

#### (Loss) Earnings

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
(Loss) profit for the period attributable to the equity holders of the Company	<b>(18,205)</b>	11,573	<b>(25,846)</b>	15,061

#### Number of shares

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2015 '000	2014 '000	2015 '000	2014 '000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<b>3,210,328</b>	3,213,621	<b>3,209,893</b>	3,213,870
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<b>3,551,242</b>	3,552,352	<b>3,547,371</b>	3,548,606

For the three months and six months ended 31 December 2015, outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease in loss per share.

For the three months and six months ended 31 December 2014, outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in an increase in earnings per share.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group acquired items of plant and machinery at a cost of approximately HK\$6,485,000 (six months ended 31 December 2014: approximately HK\$2,560,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2015 (six months ended 31 December 2014: no material disposal).

### 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
Trade receivables	<b>79,406</b>	77,388
Other receivables and prepayments	<b>88,852</b>	74,164
	<b>168,258</b>	151,552
Less: Allowances for doubtful receivables	<b>(74)</b>	(74)
	<b>168,184</b>	151,478

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:

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
0 to 30 days	<b>13,938</b>	13,088
31 to 60 days	—	5,143
61 to 180 days	<b>7,596</b>	46,371
181 to 365 days	<b>41,046</b>	12,617
Over 1 year	<b>16,826</b>	169
	<b>79,406</b>	77,388

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 10. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
Trade payables	20	21
Accrued liabilities and other payables	<b>52,800</b>	27,644
	<b>52,820</b>	27,665

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	<b>31 December</b> <b>2015</b> <b>HK\$'000</b>	30 June 2015 HK\$'000
0-30 days	—	—
31-120 days	—	—
121-180 days	—	—
181-365 days	—	4
Over 1 year	<b>20</b>	17
	<b>20</b>	21

### 11. CONVERTIBLE BONDS

On 17 January 2014, the Company issued convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which is interest bearing at a rate of 2% per annum, as general working capital and repayment of borrowings (the "Bonds"). The Bonds are convertible into fully-paid ordinary shares with a conversion price of HK\$2.39 per share. The conversion price has been adjusted to HK\$0.598 per share upon share subdivision on 17 December 2014.

Upon full conversion of the Bonds at the conversion price of HK\$0.598 (adjusted) per ordinary share of the Company, a total of 150,000,000 shares (adjusted) would be issued by the Company upon the exercise of the conversion rights attached to the Bonds. The Company shall redeem any Bonds which remain outstanding on the maturity date at its principal amount.

The Bonds contain liability and equity components. The effective interest rate of the liability component is 13.89% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the Bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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

	<b>31 December 2015 HK\$'000</b>
Nominal value of the Bonds issued	<b>89,625</b>
Equity component	<b>(28,963)</b>
Liability component at the issuance date	<b>60,662</b>
Imputed finance costs	<b>21,038</b>
Interest paid and payable	<b>(3,502)</b>
Carrying amount	<b>78,198</b>

### 12. DEFERRED TAXATION

Movements on the deferred tax liabilities account is as follows:

	HK\$'000
Balance at 1 July 2015 (audited)	3,132
Deferred tax credited to consolidated statement of profits or loss and other comprehensive income	(669)
Balance at 31 December 2015 (unaudited)	2,463

Deferred tax liabilities are to be recovered and settled after more than 12 months.

### 13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 July 2015 and 31 December 2015, ordinary shares of HK\$0.0125 each (unaudited)	16,000,000	200,000
Issued and fully paid:		
At 1 July 2015, ordinary shares of HK\$0.0125 each (audited)	3,207,765	40,097
Shares issued upon exercise of share options (Note)	2,795	35
At 31 December 2015, ordinary shares of HK\$0.0125 each (unaudited)	3,210,560	40,132

Note: Share options were exercised by eligible participants during the period ended 31 December 2015 to subscribe, for 2,620,000 shares with exercise price of HK\$0.438 each and 175,000 shares with exercise price of HK\$0.952 each by payment of subscription monies of approximately HK\$1,314,000, of which approximately HK\$1,279,000 was credited to the share premium account.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 14. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At 31 December 2015, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
Within one year	<b>3,900</b>	3,116
In the second to fifth year inclusive	<b>2,619</b>	3,611
	<b>6,519</b>	6,727

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

Leases are negotiated for an average term of 1 to 5 years.

#### The Group as lessor

At 31 December 2015, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
Within one year	<b>50</b>	63
In the second to fifth year inclusive	<b>—</b>	21
	<b>50</b>	84

### 15. CAPITAL COMMITMENTS

	<b>(Unaudited)</b> <b>31 December</b> <b>2015</b> <b>HK\$'000</b>	(Audited) 30 June 2015 HK\$'000
Capital expenditure in respect of acquisition of equity interest in subsidiaries	<b>57,011</b>	59,745

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 16. 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 2015 was as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Short-term benefits	5,010	2,650	10,052	5,300
Post-employment benefits	36	34	72	70
	<b>5,046</b>	<b>2,684</b>	<b>10,124</b>	<b>5,370</b>

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

#### Balances with related parties

As at 31 December 2015, amounts due to directors of approximately HK\$1,062,000 (30 June 2015: approximately HK\$45,000) are unsecured, interest free and have no fixed repayment term.

As at 31 December 2015, amounts due from related companies of approximately HK\$301,000 (30 June 2015: approximately HK\$384,000). The amounts are unsecured, interest free and have no fixed repayment terms.

### 17. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2016, the Company, through United Power Asia Investment Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), has entered into a restructuring agreement with both the existing 49% shareholders (the "**Sellers**") of Anhui Ao Cai Information Technology Limited ("**Anhui Ao Cai**") and Anhui Ao Cai, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, 8.54% of the equity interest in Anhui Ao Cai. The total aggregate consideration is amounted to approximately RMB15,297,000 (equivalent to approximately HK\$18,089,000). Upon the completion of the acquisition, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%. Further details of the acquisition have been set out in the announcement of the Company dated 12 January 2016.

### FINANCIAL REVIEW

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

For Period 2015, the Group recorded unaudited consolidated revenue of HK\$21.2 million, decreased by 68.5% against Period 2014 of HK\$67.2 million. The decrease in revenue was due to decrease in revenue from the lottery-related business and no contribution from property related business. Gross profit ratio decreased to 89.6% as compared with 96.0% for Period 2014.

For Period 2015, the Group recorded an unaudited loss attributable to the equity holders of HK\$25.8 million, compared against a net profit of HK\$15.1 million for Period 2014. Loss attributable to equity holders was HK\$18.2 million from the second quarter of Period 2015 against profit of HK\$11.6 million for Period 2014. Selling and distribution costs and administrative expenses for Period 2015 amounted to HK\$47.4 million, increased by 9.3% as compared to HK\$43.4 million for Period 2014.

### BUSINESS REVIEW

The Group has continued to focus on developing our lottery-related services in the PRC during the review period, with an objective to becoming the leading lottery service provider catering to both Sports and Welfare Lottery Administration Centres across the PRC.

The Group has dedicated itself to expand its geographic coverage since 2013 and has successfully secured operating agreements in twenty one provinces and regions as at the financial year end of 2015, accessing 65% of the PRC's population. Since then the Group has begun to advance our strategy from pure geographic expansion to the next level, balancing efforts to drill-in our reach and develop partnerships that would deepen market penetration. With a view to build a network platform beyond the lottery store, the Group has been creating a one-stop service experience, developing solutions which incorporate innovative information technologies, marketing solutions, logistics and distribution services. Since 2015, the Group has entered into numerous partnerships with third-parties that would enable the Group to build an end-to-end lottery-solutions service platform. This has continued into the period under review.

The Group has acquired an electronic lottery marketing and administration company in May 2015 for the provision of interactive display panels in Lottery Centres. Preparation has been made for pilot launch of the display panels and the comprehensive and measurable interactive electronic information system shall enhance end-user experience and is expected to bring in new revenues to the Group.

With our service platform taking form, the Group has been realigning its internal resources for better allocation and utilization during the review period. Efforts have been made to achieve greater efficiency in day to day operations including workflows and communications in order to establish our operations as a platform. The Group has also been strategically growing its technology teams, expanding the team size to prepare ourselves for impending growth in the need for research and development. As part of this ongoing process, the Group has entered into the Restructuring Agreement, increasing its stake in a key subsidiary in January 2016.

During the review period the Group has continued to work on enhancing administration and technology services offered to Sports and Welfare Lottery Administration Centres while also working closely with our local partners to develop new marketing and distribution services that would facilitate sales for store operators.

The Group's performance has continued to be influenced by the overall retrenchment in the lottery industry during the review period that has carried on from the previous reporting period. In January 2016, the Ministry of Finance released the statistics on total lottery sales for 2015 with a decline by 3.8% year-on-year to RMB 367.9 billion. The soft-landing of China's economy has been attributed as the key reason for the decline. Sales revenues from Sports Lottery for 2015 has been hit especially hard and has declined by 5.7% year-on-year at RMB166.4 billion. Sports Lottery has reported exceptionally high growth in period 2014 with major international sporting events taking place during the year. On the other hand, sales revenues from Welfare Lottery has declined by 2.2% to RMB201.5 billion.

During the review period, the Central Government was still in the process of regulating Internet lottery. Even though the Group is not engaged in Internet lottery, as the market contemplates the practical implementation and implications of such news, regional and municipal level authorities have shown different interpretation on latest distribution methodology including self-service lottery which has affected the market sentiment especially in the second quarter of Period 2015. As a result of which commission income from self-service lottery sales has declined along with service income from store rollout and implementation as new store openings have also slowed down substantially during Period 2015. This has led to the overall decrease in the Group's revenues which is reflected during the review period.

This being said, the Group believes this is a prime consolidation opportunity for the lottery industry as policy makers further improve upon the developing regulatory framework with greater clarity and transparency for a growing industry, industry players with the right strategy and business model to emerge as leaders. The Group is actively reviewing opportunities to collaborate with suitable parties in information technology and in distribution channels that would enable it to strengthen its operations.

### OUTLOOK AND STRATEGIES

The current operating model of Group effectively centralizes products and services onto one single platform that is the most suitable structure to service different provinces and municipalities across the PRC. The "plug-and-play" model would be most advantageous in a long run and enable the Group to distribute its products and services in the most scalable format. Furthermore, the Group will continue its initiatives to support store operations and enable broader and more ingrained reach to lottery customers in each of the province and municipality where the Group is present.

The Group believes the lottery related interactive display panels will also be a strategically disruptive development that will enable the Group to break into new revenue streams through innovative use of the latest information technology solutions, hence creating tremendous opportunity and a new business model in the future.

The Group is of the view that the slower growth is only temporary to the extent that it shall foster a key opportunity for the Group to tap into potential collaborations between industry players, and shall enable the Group to take advantage of potential acquisition or expansions opportunities should they present themselves. Meanwhile, the Group will continue to enhance the utilization of its internal resources with the restructuring and realignment of its resources to prepare for impending growth.

As previously mentioned, the latest industry trends such as the introduction of interactive gaming elements in lottery formats, the convergence between lottery and gaming, as well as the changes in user behavior have also been the driving force behind changes in the industry, which all lean towards favouring long term growth. The Group therefore remains highly positive of the lottery industry's long term outlook.

### DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 December 2015 (six months ended 31 December 2014: Nil).

### FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, shareholders' funds amounted to HK\$324 million (30 June 2015: HK\$358 million). Current assets amounted to HK\$241 million (30 June 2015: HK\$246 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK\$59 million (30 June 2015: HK\$33 million), mainly comprising of accrued liabilities, other payables and tax liabilities.

The Group's bank balances and cash amounted to HK\$71 million (30 June 2015: HK\$93 million). Net asset value per share of the Group was HK\$0.10 (30 June 2015: HK\$0.11).

The gearing ratio of the Group was 24.9% as at 31 December 2015 (30 June 2015: 21%) on the basis of non-current liabilities divided by total equity.

### CAPITAL STRUCTURE

On 16 December 2014, shareholders of the Company approved the ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company. Pursuant to which, with effect from 17 December 2014, each existing issued and unissued share of HK\$0.050 each in the share capital of the Company was divided into four subdivided shares of HK\$0.0125 each (the "**Share Subdivision**"). As a result of the Share Subdivision, adjustments to the share option scheme adopted on 31 January 2013 and to the convertible bonds issued on 17 January 2014 have been made respectively.

As at 31 December 2015, the issued share capital of the Company was 3,210,560,068 Shares.

### CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at an annual rate of 2% per annum as general working capital and for the repayment of borrowings (the "**Bonds**"). A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Bonds at the conversion price of HK\$2.390 per share into fully-paid ordinary shares of the Company. As the Company completed its Share Subdivision on 17 December 2014, the number of Shares fallings to be issued upon full conversion of the Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598 per share. Save for the adjustment, all other terms and conditions of the Bonds shall remain unchanged.

As at 31 December 2015, no conversions have been made for the Bonds issued by holders of the Bonds or redeemed by the Company.

### CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Company has no contingent liabilities as at 31 December 2015 (30 June 2015: Nil).

No assets of the Group was pledged as securities to any third parties as at 31 December 2015 (30 June 2015: Nil).

### COMMITMENTS

The Group had capital commitments of HK\$57 million and operating lease commitments as lessee of HK\$7 million from operations as at 31 December 2015 (30 June 2015: capital commitments of HK\$60 million and operating lease commitments of HK\$7 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.

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 38 and 230 (30 June 2015: 39 and 243) employees in Hong Kong and the PRC respectively.

Employees' remunerations are determined with reference to their performance, qualifications, experience, positions and the current trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employee based on performance evaluation in order to provide incentives and rewards.

### 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.

### EVENT AFTER THE REPORTING PERIOD

On 12 January 2016, the Company, through United Power Asia Investment Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), has entered into a restructuring agreement with both the existing 49% shareholders (the "Sellers") of Anhui Ao Cai Information Technology Limited ("Anhui Ao Cai") and Anhui Ao Cai, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, 8.54% of the equity interest in Anhui Ao Cai. The total aggregate consideration is amounted to approximately RMB15,297,000 (equivalent to approximately HK\$18,089,000). Upon the completion of the acquisition, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%. Further details of the acquisition have been set out in the announcement of the Company dated 12 January 2016.

### 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 31 December 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	1,068,565,856	1,656,000	260,000	1,070,481,856	33.34%
Mr. CHAN Tung Mei ("Mr. CHAN") (Notes 1 & 3)	The Company	—	260,000	1,070,221,856	1,070,481,856	33.34%
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	—	475,000	—	475,000	0.01%

Notes:

- 1,068,565,856 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.
- 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 475,000 Shares and interest in 1,525,000 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 six months ended 31 December 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 31 December 2015	
				As at 1 July 2015	Granted	Exercised	Cancelled		Lapsed
<b>Directors</b>									
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	—	(275,000)	—	—	125,000
	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	—	(375,000)	—	—	13,085,000



Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options					As at 31 December 2015	
				As at 1 July 2015	Granted	Exercised	Cancelled	Lapsed		
Employees	10/12/2013	0.438	01/04/2014 - 31/03/2017	2,064,000	—	(12,000)	—	(6,000)	2,046,000	
	10/12/2013	0.438	01/01/2015 - 31/03/2017	5,777,000	—	(1,108,000)	—	(370,000)	4,299,000	
	10/12/2013	0.438	01/01/2016 - 31/03/2017	22,704,000	—	—	—	(784,000)	21,920,000	
	13/06/2014	0.952	01/07/2015 - 30/06/2018	4,752,000	—	(175,000)	—	(365,000)	4,212,000	
	13/06/2014	0.952	01/07/2016 - 30/06/2018	4,752,000	—	—	—	(540,000)	4,212,000	
	13/06/2014	0.952	01/07/2017 - 30/06/2018	6,336,000	—	—	—	(720,000)	5,616,000	
	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	(1,295,000)	—	(2,785,000)	46,525,000
	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	—	(280,000)	—	—	316,000	
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	—	—	—	(1,500,000)	20,100,000	
13/06/2014		0.952	01/07/2016 - 30/06/2018	21,600,000	—	—	—	(1,500,000)	20,100,000	
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	(1,125,000)	—	(3,000,000)	177,615,000	
<b>Total</b>				<b>221,585,000</b>	<b>24,220,000</b>	<b>(2,795,000)</b>	<b>—</b>	<b>(5,785,000)</b>	<b>237,225,000</b>	

**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.

## General Information

Save as disclosed above, as at 31 December 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 six months ended 31 December 2015.

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

As at 31 December 2015, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors 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 were as follow:

#### Long Positions in the Shares

<u>Name of Shareholders</u>	<u>Capacity</u>	<u>Number of Issued Shares Held</u>	<u>Approximate Percentage of the Shareholding</u>
Best Frontier & its concert parties <i>(Note 1)</i>	Beneficial Owner	1,070,481,856	33.44%
Integrated Asset Management (Asia) Limited (" <b>Integrated Asset</b> ") & its concert parties <i>(Note 2)</i>	Beneficial Owner	420,188,000	13.09%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.50%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	168,225,000	5.24%

### Notes:

- 1,068,565,856 shares are owned by Best Frontier which is owned as to 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 Shares 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. 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.

Save as disclosed above, as at 31 December 2015, 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 Division 2 an 3 of Part XV of the SFO

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 31 December 2015, 2,795,000 Shares were issued to eligible persons after they had exercised their Share Option rights. Net proceeds exclusive of handling fees of HK\$1,314,160 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 31 December 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 of the Company.

### **UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES**

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors of the Company are set out below:

Mr. TO Yan Ming Edmond was appointed as an independent non-executive director of Courage Marine Group Limited (stock code: 1145) with effect from 30 October 2015.

## General Information

Save as disclosed above, there is no other changes in the directors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

### 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 six months ended 31 December 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.

#### Code provision A.6.7

An INED were unable to attend the annual general meeting of the Company held on 23 November 2015 due to health reason.

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 six months ended 31 December 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 six months ended 31 December 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, 12 February 2016

*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*