

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2016

RESULTS

The board of Directors (“**Board**”) of 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 2016 (“**Period 2016**”), together with the comparative unaudited figures for the corresponding period in 2015 (“**Period 2015**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited) Three months ended 30 September	
	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	2	8,188	17,307
Costs of sales		(1,107)	(1,021)
Gross profit		7,081	16,286
Other income		378	1,441
Selling and distribution expenses		(1,647)	(1,521)
Administrative and operating expenses		(23,828)	(22,542)
Operating loss		(18,016)	(6,336)
Finance costs		(3,284)	(2,891)
Share of result of joint ventures		(8)	(341)
Loss before tax	3	(21,308)	(9,568)
Income tax credit	4	404	1,055
Loss for the period		(20,904)	(8,513)
Loss for the period attributable to:			
Equity holders of the Company		(19,134)	(7,641)
Non-controlling interests		(1,770)	(872)
		(20,904)	(8,513)

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

	Notes	(Unaudited) Three months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Other comprehensive loss for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		(718)	(4,266)
Total comprehensive loss for the period		(21,622)	(12,779)
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		(19,813)	(12,856)
Non-controlling interests		(1,809)	77
		(21,622)	(12,779)
Loss per share attributable to equity holders of the company			
Basic	5	(HK0.59 cent)	(HK0.24 cent)
Diluted		N/A	N/A



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 30 September 2016

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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016.

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 2016. 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 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:

	(Unaudited) Three months ended 30 September	
	2016 HK\$’000	2015 HK\$’000
Revenue		
Lottery-related services	7,319	17,307
Others	869	—
	8,188	17,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 30 September 2016

3. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	(Unaudited) Three months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	1,107	1,021
Equity-settled share-based payments	326	1,424
Depreciation of property, plant and equipment	1,155	733
Interest income	(39)	(299)
Gain on change in fair value of contingent consideration	(204)	—
Exchange losses/(gains), net	890	(930)
Interest on convertible bonds	3,231	2,891

4. INCOME TAX CREDIT

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 2016 (Period 2015: 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 2016

5. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

Loss

	(Unaudited) Three months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Loss for the period attributable to the equity holders of the Company	(19,134)	(7,641)

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	3,227,065	3,209,459

For the three months ended 30 September 2016, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months ended 30 September 2015: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months ended 30 September 2015: decrease in loss per share).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 30 September 2016

6. MOVEMENT OF RESERVES

For the three months ended 30 September 2016

	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 2016 (audited)	2,442,537	1,484	35,572	10,056	6,522	24,184	(1)	5,769	(2,430,120)	96,003
Loss for the period	—	—	—	—	—	—	—	—	(19,134)	(19,134)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	(679)	—	—	—	—	(679)
Total comprehensive (loss)/income for the period	—	—	—	—	(679)	—	—	—	(19,134)	(19,813)
Recognition of equity-settled share-based payments	—	—	—	326	—	—	—	—	—	326
Share options lapsed	—	—	—	(2,712)	—	—	—	—	2,712	—
At 30 September 2016 (unaudited)	2,442,537	1,484	35,572	7,670	5,843	24,184	(1)	5,769	(2,446,542)	76,516

For the three months 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 (loss)/income for the period	—	—	—	—	(5,215)	—	—	—	(7,641)	(12,856)
Recognition of equity-settled share-based payments	—	—	—	1,424	—	—	—	—	—	1,424
Share options lapsed	—	—	—	(142)	—	—	—	—	142	—
Shares issued upon exercise of share options	1,325	—	—	(350)	—	—	—	—	—	975
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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 30 September 2016

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 11 November 2016.

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, trading & consulting services; and (iii) others.

For Period 2016, the Group recorded unaudited consolidated revenue of HK\$8.2 million, decreased by 53% against Period 2015 of HK\$17.3 million. Revenue decreased as the result of a decline in sales of lottery related business. The gross profit ratio decreased to about 87% as compared with 94% for Period 2015.

For Period 2016, the Group recorded a net loss attributable to the equity holders of HK\$19.1 million, increased 150% from HK\$7.6 million for Period 2015. Selling and distribution expenses and administrative expenses in Period 2016 amounted to HK\$25.5 million, increased 6% as compared to HK\$24.1 million in Period 2015.

Finance costs for Period 2016 increased 14% to HK\$3.3 million as compared to HK\$2.9 million for Period 2015 relating to increase in imputed finance costs on convertible bonds.

BUSINESS REVIEW

During Period 2016, the Group has engaged in the provision of services for lottery transaction system, lottery Point-of-Sale (“**POS**”) terminals and self-service lottery operations in the PRC. Besides, the Group is further developing a new business model, an innovative interactive in-store marketing solution, Yao Cai (“**搖彩**”). To participate in the Yao Cai’s marketing activities and events, the public can utilize their own mobile devices via WeChat “Shake” function as well as unique QR code, to interact with our proprietary Bluetooth beacon device and our out-of-home (“**OOH**”) LED display information dissemination system for interactive marketing.

The Group has entered into a cooperation agreement with Liaoning Sports Lottery Issuance Centre for the provision of Yao Cai solution during Period 2016. As of the date of this report, LED displays with Yao Cai were successfully installed in selected lottery stores in Anhui, Gansu, and Liaoning provinces. Through the provision of the solution, the Group will receive various incomes and commercializing screen time as contracts and relevant approvals allowed.

For the self-service lottery operation, the Group still suspended most of our self-service lottery operations even though most of our contracts with lottery centers are still valid and in place. This suspension is regarded as tantamount to our reply to the recent government position in the enforcement on forbidden of unauthorized online lottery sales. We continue our pursuit of the reactivation of self-service lottery business.

For the traditional lottery business operation, the Group has been serving lottery centres in various provinces for lottery transaction system and maintenance of lottery POS terminals over a decade.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND STRATEGIES

Broadening lottery consumer base and improving the lottery consumption experience are two key factors of the lottery industry development. The Board believes that our proprietary innovative marketing solution, Yao Cai, with its interactive features and OOH LED display information dissemination system, can deliver a modernized and digitized marketing solution, as well as a platform for third-party advertisers to outreach their target customer group with more precision.

The Group will continue to ride on its solid foundation of wide geographic coverage in the PRC to rollout new services like Yao Cai and create a win-win situation for lottery centers, lottery consumers, and third-party advertisers while providing new revenue streams for the Group at the same time.

As for our self-service lottery operations, we are confident that the self-service lottery policy will become more directive in the future when the position of government for lottery sales through online channels is further developed. Self-service lottery is a relatively new distribution channel for the lottery so we still believe that the self-service lottery has a lot of business opportunities in long run. The Group will continue to equip ourselves while awaiting for the reactivation of this business segment.

In addition, the Group will devote resources in developing new lottery products and services to elevate lottery consumption experience and enhance the image of the lottery stores at the same time.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2016 (three months ended 30 September 2015: Nil).

GENERAL INFORMATION

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 2016, 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 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 Shares of the Company or Any of Its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held			Total Interest	Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest		
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1 & 2)	The Company	1,068,565,856	1,656,000	260,000	1,070,481,856	33.17%
Mr. CHAN Tung Mei ("Mr. CHAN") (Notes 1 & 3)	The Company	—	260,000	1,070,221,856	1,070,481,856	33.17%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	1	910	—
Mr. CHAN	Best Frontier	—	1	909	910	—
Mr. TO Yan Ming Edmond	The Company	—	800,000	—	800,000	0.02%
Mr. YANG Qing Cai ("Mr. YANG") (Note 4)	The Company	—	475,000	—	475,000	0.01%



GENERAL INFORMATION

Notes:

1. 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 hold 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 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.

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

GENERAL INFORMATION

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options					
				As at 30 June 2016	Granted	Exercised	Cancelled	Lapsed	As at 30 September 2016
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	660,000	—	—	—	—	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. 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	125,000	—	—	—	—	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	12,285,000	—	—	—	—	12,285,000
Employees									
	10/12/2013	0.438	01/04/2014 - 31/03/2017	818,000	—	—	—	(276,000)	542,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	2,554,000	—	—	—	(276,000)	2,278,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	9,308,000	—	—	—	(948,000)	8,360,000
	13/06/2014	0.952	01/07/2015 - 30/06/2018	4,044,000	—	—	—	(1,680,000)	2,364,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	4,044,000	—	—	—	(1,680,000)	2,364,000
	13/06/2014	0.952	01/07/2017 - 30/06/2018	5,392,000	—	—	—	(2,240,000)	3,152,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	1,266,000	—	—	—	(456,000)	810,000
	21/07/2015	1.280	01/07/2017 - 30/06/2019	1,266,000	—	—	—	(456,000)	810,000
	21/07/2015	1.280	01/07/2018 - 30/06/2019	1,688,000	—	—	—	(608,000)	1,080,000
			Sub-total	30,380,000	—	—	—	(8,620,000)	21,760,000



GENERAL INFORMATION

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options				As at 30 September 2016
				As at 30 June 2016	Granted	Exercised	Cancelled	
Other Eligible Participants (Note 2)	10/12/2013	0.438	01/04/2014 - 31/03/2017	272,000	—	—	—	272,000
	10/12/2013	0.438	01/01/2015 - 31/03/2017	276,000	—	—	—	276,000
	10/12/2013	0.438	01/01/2016 - 31/03/2017	592,000	—	—	—	592,000
	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	48,155,000	—	—	—	48,155,000
	13/06/2014	0.952	01/07/2015 - 30/06/2018	20,100,000	—	—	—	20,100,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	20,100,000	—	—	—	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	177,055,000	—	—	—
			Total	219,720,000	—	—	(8,620,000)	211,100,000

Notes:

- In respect of share subdivision 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 2016, 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 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 the Directors, to be notified to the Company and the Stock Exchange.

GENERAL INFORMATION

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 2016.

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

As at 30 September 2016, 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 (Note 1)	Beneficial Owner	1,070,481,856	33.17%
Integrated Asset Management (Asia) Limited ("Integrated Asset") & its concert parties (Note 2)	Beneficial Owner	472,723,000	14.65%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.47%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	168,225,000	5.21%

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.



GENERAL INFORMATION

- 472,723,000 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 19.30% of the current issued Share capital of the Company and approximately 18.44% 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 30 September 2016, 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 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the three months ended 30 September 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares.

COMPETING INTERESTS

As at 30 September 2016, 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 the existing shareholders the Company.

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 "**CG Code**") during the three months ended 30 September 2016, except for the following deviation:

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The 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.

GENERAL INFORMATION

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with GEM 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 2016.

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, risk management and internal control systems.

The Group's unaudited consolidated results for the three months ended 30 September 2016 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, 11 November 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