



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

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 NINE MONTHS ENDED 31 MARCH 2017

RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and nine months ended 31 March 2017 (“**Period 2017**”), together with the selected comparative unaudited figures for the corresponding period in 2016 (“**Period 2016**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2017

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	2	7,955	4,337	23,288	25,499
Costs of sales		(734)	(50)	(3,078)	(2,259)
Gross profit		7,221	4,287	20,210	23,240
Other income		(78)	(2,296)	1,126	1,904
Gain on disposal of subsidiary		—	30	—	30
Selling and distribution expenses		(2,118)	(2,342)	(5,992)	(7,151)
Administrative and operating expenses		(28,436)	(24,176)	(78,309)	(66,785)
Operating loss		(23,411)	(24,497)	(62,965)	(48,762)
Finance costs		(4,686)	(3,017)	(11,247)	(8,881)
Share of results of joint ventures		527	192	(14)	(453)
Loss before tax	3	(27,570)	(27,322)	(74,226)	(58,096)
Income tax credit	4	194	343	1,871	1,987
Loss for the period		(27,376)	(26,979)	(72,355)	(56,109)
Loss for the period attributable to:					
Equity holders of the Company		(25,976)	(24,929)	(67,471)	(50,775)
Non-controlling interests		(1,400)	(2,050)	(4,884)	(5,334)
		(27,376)	(26,979)	(72,355)	(56,109)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2017

Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 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	1,070	1,897	(2,950)	(6,656)
Total comprehensive loss for the period	(26,306)	(25,082)	(75,305)	(62,765)
Total comprehensive loss for the period attributable to:				
Equity holders of the Company	(25,011)	(23,489)	(70,017)	(58,660)
Non-controlling interests	(1,295)	(1,593)	(5,288)	(4,105)
	(26,306)	(25,082)	(75,305)	(62,765)
Loss per share attributable to equity holders of the Company				
Basic	(HK0.80 cent)	(HK0.77 cent)	(HK2.09 cents)	(HK1.58 cents)
Diluted	N/A	N/A	N/A	N/A

The accompanying notes on page 3 to 7 form an integral part of this quarterly financial report.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2017

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial results for the nine months ended 31 March 2017 have been prepared in accordance with accounting principle generally accepted in Hong Kong under which 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 principal accounting policies and methods of computation used in the preparation of the unaudited consolidated financial results for the nine months ended 31 March 2017 are consistent with the financial statements of the Group 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 and (ii) 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 31 March		(Unaudited) Nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue				
Provision of lottery-related services	7,175	4,337	20,822	25,499
Others	780	—	2,466	—
	7,955	4,337	23,288	25,499

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2017

3. LOSS BEFORE TAX

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

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold	734	50	3,078	2,259
Equity-settled share-based payments	7,640	716	8,202	3,574
Depreciation of property, plant and equipment	2,122	1,021	4,814	2,690
Amortization of intangible assets	892	24	2,703	75
Change in fair value of contingent consideration	1,540	—	1,440	—
Interest income	(6)	(121)	(49)	(541)
Exchange losses/(gain), net	105	2,278	1,854	(1,012)
Interest on convertible bonds	4,682	3,017	11,236	8,881

4. INCOME TAX CREDIT

The amount of tax credit/(charged) to the consolidated statement of profit or loss and other comprehensive income represents:

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Over/(under) provision in the prior periods:				
— Hong Kong profits tax	—	—	20	—
— Other jurisdiction	—	(9)	—	966
	—	(9)	20	966
Deferred tax	194	352	1,851	1,021
Income tax credit for the period	194	343	1,871	1,987

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and nine months ended 31 March 2017 (three months and nine months ended 31 March 2016: HK\$Nil).

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2017

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

The calculation of 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 31 March		(Unaudited) Nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period attributable to the equity holders of the Company	(25,976)	(24,929)	(67,471)	(50,775)

Number of shares

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2017 '000	2016 '000	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	3,228,731	3,220,272	3,227,612	3,213,328
Weighted average number of ordinary shares for the purposes of diluted loss per share	3,544,936	3,457,858	3,439,300	3,442,468

For the three months and nine months ended 31 March 2017, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months and nine months ended 31 March 2016: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months and nine months ended 31 March 2016: decrease in loss per share).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2017

6. MOVEMENT OF RESERVES

For the nine months ended 31 March 2017

	Attributable to equity holders of the Company									
	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Share option reserve	Translation reserve	Convertible bonds reserve	Special reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	—	—	—	—	—	—	—	—	(67,471)	(67,471)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	(2,546)	—	—	—	—	(2,546)
Total comprehensive loss for the period	—	—	—	—	(2,546)	—	—	—	(67,471)	(70,017)
Amendments to the terms of convertible bonds	—	—	—	—	—	(21,699)	—	—	24,184	2,485
Recognition of equity-settled share-based payments	—	—	—	8,202	—	—	—	—	—	8,202
Share options lapsed	—	—	—	(4,293)	—	—	—	—	4,293	—
Shares issued upon exercise of share options	37,834	—	—	(10,692)	—	—	—	—	—	27,142
At 31 March 2017 (unaudited)	2,480,371	1,484	35,572	3,273	3,976	2,485	(1)	5,769	(2,469,114)	63,815



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2017

6. MOVEMENT OF RESERVES – *Continued*

For the nine months ended 31 March 2016

	Attributable to equity holders of the Company									
	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Share option reserve	Translation reserve	Convertible bonds reserve	Special reserve	Capital reserve	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	—	—	—	—	—	—	—	—	(50,775)	(50,775)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	(7,885)	—	—	—	—	(7,885)
Total comprehensive loss for the period	—	—	—	—	(7,885)	—	—	—	(50,775)	(58,660)
Recognition of equity-settled share-based payments	—	—	—	3,574	—	—	—	—	—	3,574
Share options lapsed	—	—	—	(1,471)	—	—	—	—	1,471	—
Shares issued upon exercise of share options	10,527	—	—	(3,118)	—	—	—	—	—	7,409
At 31 March 2016 (unaudited)	2,441,251	1,484	35,572	9,946	9,437	24,184	(1)	10,184	(2,274,322)	257,735

7. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial statements were approved and authorised for issue by the Board on 11 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The principal activities of the Group are (i) lottery-related services; and (ii) others.

For Period 2017, the Group recorded unaudited consolidated revenue of HK\$23.3 million, decreased by 8.7% against Period 2016 of HK\$25.5 million. Revenue decreased as the result of a decline in sales of lottery-related business. Gross profit ratio decreased to about 86.8% as compared with 91.1% for Period 2016.

For Period 2017, the Group recorded a net loss attributable to the equity holders of HK\$67.5 million, increased by 32.8% from HK\$50.8 million for Period 2016. Loss attributable to equity holders was HK\$25.9 million from the third quarter of Period 2017, increased by 4.2% from HK\$24.9 million for Period 2016. Selling and distribution expenses and administrative expenses in Period 2017 amounted to HK\$84.3 million, increased 14% as compared to HK\$73.9 million in Period 2016.

BUSINESS REVIEW

During the review period, the Group has continually engaged in the provision of lottery transaction system, lottery Point-of-Sale (“**POS**”) terminals, and self-service lottery operations (the “**Original Lottery Business**”) in the People’s Republic of China (the “**PRC**”). In addition to the Original Lottery Business, the Group has expanded its business via interactive marketing solutions into “Internet Plus Lottery” (“Yao Cai” solution), “Internet Plus Government Affairs”, “Internet Plus Health” and “Internet Plus Tourism”.

The Company is pleased to announce that the Group’s latest interactive marketing solution named “health management cloud platform” won two international awards from the 45th International Exhibition of Inventions of Geneva and the Scientific Community of Romania respectively. The Group successfully developed a health management cloud platform targeting people who works in the office environment. Through our proprietary solution, the Group will provide personalized wellness recommendation based on the data gathered. With proper analysis on the data collected, our interactive marketing solution can provide precise advertising to the users.

During the review period, the Group has launched its new business of “Internet Plus Government Affairs”. The Group had successfully won a tender in the provision of new media services for Shenzhen Traffic Police (“**SZTP**”), and subsequently implemented the platform which provides new media services including transformation of SZTP’s traditional services from offline to online. The Group has been facilitating SZTP in enhancing work efficiency such as setting up an online platform for traffic accidents reporting. Cooperation with SZTP is just a beginning; our interactive marketing solution for “Internet Plus Government Affairs” has the potential to gradually expand throughout the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS

Besides, the Group has made the following progress in the “Internet Plus Health” and “Internet Plus Tourism” businesses during the review period:

“Internet Plus Health”: On 27 February 2017, the Group further entered into a definitive joint venture agreement with Sinopharm (Yanbian) Ecommerce Co., Ltd., IQARK Supply Chain Co., Ltd., and United Enterprises CBT Cultural Industrial Co., Ltd. to establish a new joint venture company. It signified the beginning of our “Internet Plus Health” business. The Group owns 51% equity interests in the joint venture company. Subsequent to the review period, we have submitted the application for the establishment of a joint venture company to the relevant authorities and are waiting for the approval.

“Internet Plus Tourism”: On 23 March 2017, the Group further entered into a definitive joint venture agreement with You Champion International Industrial Limited in respect of the establishment of a new joint venture company. The Group owns 51% equity interests in the joint venture company. The principal business of the joint venture company is to develop the tourism and aviation-related businesses in the Kingdom of Tonga (“**Tonga**”). It will utilize our interactive marketing solution to promote tourism and airlines in Tonga and to provide the membership management system for airlines in Tonga. It signified the beginning of our “Internet Plus Tourism” and will subsequently bring our interactive marketing solution onto the global stage.

OUTLOOK AND STRATEGIES

The recent developments of our “Internet Plus” business gave the Board confidence in the potential development and market needs of this business in the PRC. With our accumulated experience and resources, the Group is ready to further explore more business opportunities and potential clients from the existing business segments in the lottery, government affairs, health, and tourism industries.

In the future, the Group will further adopt our interactive marketing solutions to other industries, applying our solutions to other new scenarios to generate new business opportunities and revenue streams.

During the review period, the Original Lottery Business is overall stagnant especially when the reactivation of the self-service lottery related business is still pending. Further development of the Original Lottery Business for the Group is remained to be seen.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 March 2017 (nine months ended 31 March 2016: 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 31 March 2017, 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") (Note 1)	The Company	948,565,856	4,656,000	3,020,000	956,241,856	29.06%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note 1)	The Company	—	3,020,000	953,221,856	956,241,856	29.06%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	1	910	—
Mr. CHAN	Best Frontier	—	1	909	910	—
Dr. LIU Ta-pei	The Company	—	3,000,000	—	3,000,000	0.09%
Mr. YANG Qing Cai	The Company	—	475,000	—	475,000	0.01%

Note:

- 948,565,856 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 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.



GENERAL INFORMATION

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 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 March 2017
				As at 1 July 2016	Granted	Exercised	Cancelled	
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	—	(5,760,000)	—	(6,525,000)

GENERAL INFORMATION

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options				As at 31 March 2017		
				As at 1 July 2016	Granted	Exercised	Cancelled		Lapsed	
Employees	10/12/2013	0.438	01/04/2014 - 31/03/2017	818,000	—	(794,000)	—	(24,000)	—	
	10/12/2013	0.438	01/01/2015 - 31/03/2017	2,554,000	—	(2,406,000)	—	(148,000)	—	
	10/12/2013	0.438	01/01/2016 - 31/03/2017	9,308,000	—	(7,690,000)	—	(1,618,000)	—	
	13/06/2014	0.952	01/07/2015 - 30/06/2018	4,044,000	—	—	—	(1,944,000)	2,100,000	
	13/06/2014	0.952	01/07/2016 - 30/06/2018	4,044,000	—	—	—	(1,944,000)	2,100,000	
	13/06/2014	0.952	01/07/2017 - 30/06/2018	5,392,000	—	—	—	(2,592,000)	2,800,000	
	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	—	(10,890,000)	—	(9,790,000)	9,700,000
	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	—	(3,000,000)	—	(7,760,000)	—	
10/12/2013		0.438	01/04/2015 - 31/03/2017	10,800,000	—	(3,000,000)	—	(7,800,000)	—	
10/12/2013		0.438	01/07/2014 - 31/03/2017	46,000,000	—	(24,000,000)	—	(22,000,000)	—	
10/12/2013		0.438	01/07/2015 - 31/03/2017	48,155,000	—	(16,000,000)	—	(32,155,000)	—	
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	—	(47,140,000)	—	(69,715,000)	60,200,000
				Total	219,720,000	—	(63,790,000)	—	(86,030,000)	69,900,000

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.



GENERAL INFORMATION

Save as disclosed above, as at 31 March 2017, 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 nine months ended 31 March 2017.

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

As at 31 March 2017, 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:

GENERAL INFORMATION

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	956,241,856	29.06%
Integrated Asset Management (Asia) Limited (“ Integrated Asset ”) & its concert parties (Note 2)	Beneficial Owner	536,733,000	16.31%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.32%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	172,894,960	5.25%

Notes:

1. 948,565,856 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 holds 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them are deemed to be interested in the Shares.
2. 536,733,000 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 “**Convertible Bonds**”). A maximum of 150,000,000 Shares would be allotted and issued to Integrated Asset upon conversion of the Bonds in full. The initial conversion price was HK\$0.598 per conversion share subject to adjustment. The Convertible Bonds was mature on 17 January 2017.

On 18 January 2017, the Company entered an amendment agreement with Integrated Asset, pursuant to which both parties agreed to amend some principal terms of the Convertible Bonds. An ordinary resolution was passed at the extraordinary general meeting of the Company held 29 March 2017 in which the amendments to the terms to the Convertible Bonds with effect from 18 January 2017. The maturity date of the Convertible Bonds was extended for six months from 17 January 2017 to 17 July 2017, and further extended maturity date upon a prior written consent from Integrated Asset shall be 17 January 2018. Its conversion price was amended from HK\$0.598 per conversion share to HK\$0.359 per conversion share, which can be converted into for the maximum number of 249,651,810 Shares. Upon conversion of the Convertible Bonds in full and thereafter the shareholding of Integrated Asset will be increased to approximately 23.90% of the current issued Share capital of the Company and approximately 22.21% of the enlarged issued Share capital of the Company.



GENERAL INFORMATION

Save as disclosed above, as at 31 March 2017, 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 were 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 nine months ended 31 March 2017, 63,790,000 Shares were issued to eligible persons after they had exercised their Share Option rights. Net proceeds exclusive of handling fees of HK\$27,940,020 were 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 March 2017, none of Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined in 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 (the "**Articles of Association**") 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 (the "**CG Code**") during the nine months ended 31 March 2017, except for the following deviations which are summarized below:

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. 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

Code provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and non-executive director should attend general meetings and develop a balanced understanding of the views of shareholders. An Executive Director and two INEDs, were unable to attend the annual general meeting of the Company held on 23 November 2016 due to the health reason and other business commitments. In addition, an INED was unable to attend the extraordinary general meeting of the Company held on 29 March 2017, due to other business commitments.

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 nine months ended 31 March 2017.

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. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. 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 results for the nine months ended 31 March 2017 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 May 2017

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. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei as Independent Non-executive Directors.

* For identification purposes only