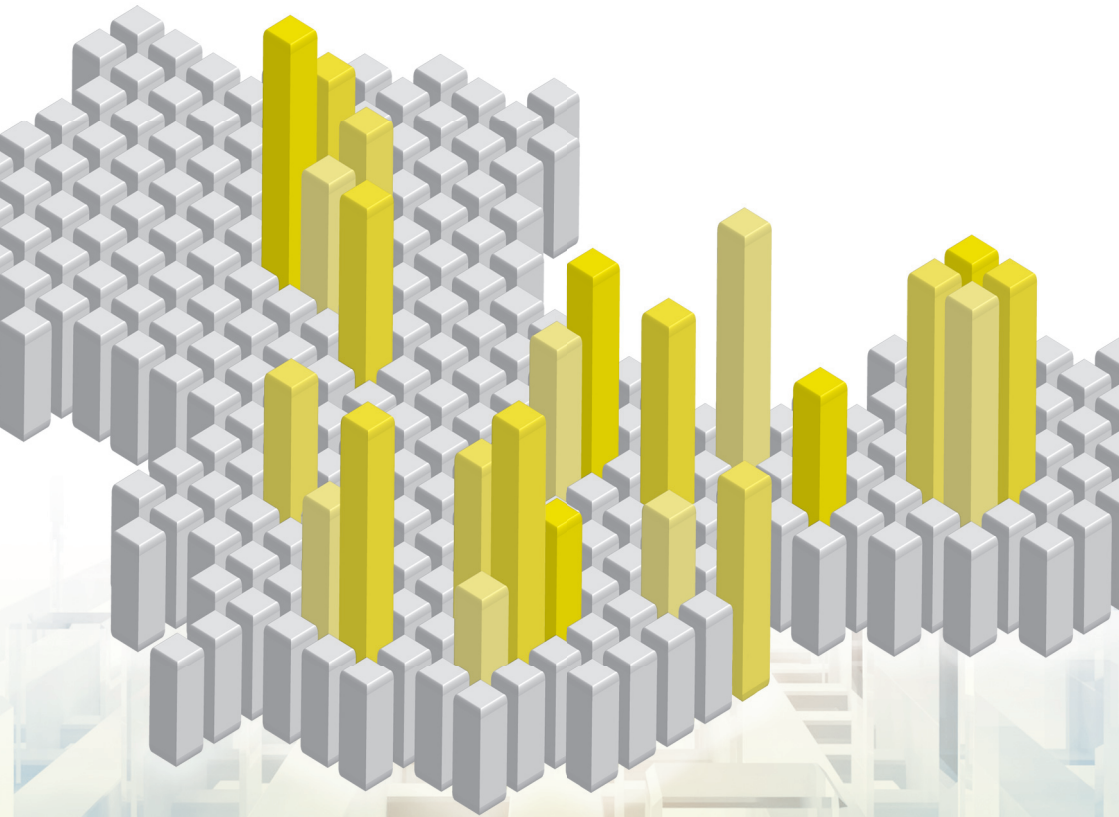




眾彩科技股份有限公司\*  
CHINA VANGUARD GROUP LTD.

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8156)



First Quarterly Report 2014/2015

*\*For identification purposes only*

**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 board of directors of China Vanguard Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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.*

## RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of China Vanguard Group Limited (the “**Company**”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the three months ended 30 September 2014 (“**Period 2014**”), together with the comparative unaudited figures for the corresponding period in 2013 (“**Period 2013**”), are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<b>(Unaudited)</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	<b>19,895</b>	12,188
Costs of sales		<b>(828)</b>	(441)
		<hr/>	<hr/>
Gross profit		<b>19,067</b>	11,747
Other revenue		<b>299</b>	178
Selling and distribution costs		<b>(924)</b>	(241)
Administrative expenses		<b>(19,261)</b>	(15,830)
		<hr/>	<hr/>
Operating loss		<b>(819)</b>	(4,146)
Finance costs		<b>(1,337)</b>	(2,230)
Share of results of a joint venture		<b>928</b>	(565)
		<hr/>	<hr/>
<b>LOSS BEFORE TAXATION</b>		<b>(1,228)</b>	(6,941)
Income tax	3	<b>3,716</b>	(118)
		<hr/>	<hr/>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>2,488</b>	(7,059)
		<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange difference on translation of financial statements of foreign operations		<b>2,570</b>	351
		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD</b>		<b>5,058</b>	(6,708)
		<hr/> <hr/>	<hr/> <hr/>

		<b>(Unaudited)</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>			
	Equity holders of the Company	<b>3,488</b>	(6,843)
	Non-controlling interests	<b>(1,000)</b>	(216)
	<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b><u>2,488</u></b>	<b><u>(7,059)</u></b>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>(EXPENSES) ATTRIBUTABLE TO:</b>			
	Equity holders of the Company	<b>5,939</b>	(6,498)
	Non-controlling interests	<b>(881)</b>	(210)
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>5,058</u></b>	<b><u>(6,708)</u></b>
	<b>(EXPENSES) FOR THE PERIOD</b>		
<b>EARNINGS (LOSS) PER SHARE</b>			
	Basic	<b><u>HK0.43 cent</u></b>	<b><u>(HK0.91 cent)</u></b>
	Diluted	<b><u>HK0.42 cent</u></b>	<b><u>N/A</u></b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 30 September 2014

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared on the historical costs basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the three months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA:

HKAS 19 (Amendments)	Defined benefit plans: Employee contributions
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Revised) (Amendments)	Investment entities
HK(IFRIC) — INT21	Levies
Annual improvements 2010-2012 cycle and 2011-2013 cycle	Number of HKFRSs issued in December 2013

The application of the other new or revised HKFRSs in the current year has no material effect on the amounts reported and/or disclosures set out in these unaudited consolidated financial results.

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

HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge accounting and amendments <sup>3</sup>
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
HKAS 16 and HKAS 38 (Amendments)	Property, plant and equipment and Intangible assets <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

## 2. REVENUE

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

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable.

## 3. INCOME TAX

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 2014 (Period 2013: Nil).

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

## 4. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 September 2014 (Period 2013: Nil).

## 5. EARNINGS (LOSS) PER SHARE

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

### Earnings (loss)

	Three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Profit (loss) for the period attributable to the equity holder of the Company	<b>3,488</b>	(6,843)

### Number of shares

	Three months ended 30 September	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<b>803,918</b>	754,379
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<b>826,957</b>	754,379

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

As the Company did not have outstanding share options and convertible bonds as at 30 September 2013, weighted average number of ordinary shares for the purpose of diluted loss per share is the same as basic loss per share. Therefore, calculation of diluted loss per share is not applicable.

## 6. MOVEMENT OF RESERVES

### *For the period ended 30 September 2014*

	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	
At 1 July 2014 (audited)	2,436,474	1,181	35,572	6,202	17,201	24,184	(1)	10,184	(2,244,288)	286,709	
Profit for the period	—	—	—	—	—	—	—	—	3,488	3,488	
Exchange differences arising from translation of financial statements of oversea operations	—	—	—	—	2,451	—	—	—	—	2,451	
Total comprehensive income for the period	—	—	—	—	2,451	—	—	—	3,488	5,939	
Recognition of equity-settled share-based payments	—	—	—	2,627	—	—	—	—	—	2,627	
Exercise of share options	—	—	—	(613)	—	—	—	—	—	(613)	
Share options lapsed	—	—	—	(25)	—	—	—	—	25	—	
Share issued upon exercise of share options	2,119	—	—	—	—	—	—	—	—	2,119	
At 30 September 2014 (unaudited)	<u>2,438,593</u>	<u>1,181</u>	<u>35,572</u>	<u>8,191</u>	<u>19,652</u>	<u>24,184</u>	<u>(1)</u>	<u>10,184</u>	<u>(2,240,775)</u>	<u>296,781</u>	

### *For the period ended 30 September 2013*

	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	Accumulated losses	
									Total	
									HK\$'000	HK\$'000
At 1 July 2013 (audited)	2,195,554	234	35,572	—	19,278	—	(1)	10,184	(2,258,463)	2,358
Loss for the period	—	—	—	—	—	—	—	—	(6,843)	(6,843)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	345	—	—	—	—	345
Total comprehensive income for the period	—	—	—	—	345	—	—	—	(6,843)	(6,498)
As 30 September 2013 (unaudited)	<u>2,195,554</u>	<u>234</u>	<u>35,572</u>	<u>—</u>	<u>19,623</u>	<u>—</u>	<u>(1)</u>	<u>10,184</u>	<u>(2,265,306)</u>	<u>(4,140)</u>

## **7. EVENTS AFTER THE REPORTING PERIOD**

On 6 November 2014, the Board proposed that each of the existing issued and unissued ordinary shares of HK\$0.050 each in share capital of the Company be subdivided into four (4) Subdivided Shares of HK\$0.0125 each.

The Share Subdivision will become effective upon the fulfillment of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM approving the Share Subdivision;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subdivided Shares; and
- (c) the compliance with the relevant legal procedures and requirements under the GEM Listing Rules and the laws of Cayman Islands (if any) to effect the Share Subdivision.

A circular containing, among other things, details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares, the procedures for the free exchange of the Existing Share Certificates, together with the notice of the EGM will be despatched to the Shareholders on or before 27 November 2014.

For the details of the Share Subdivision, please refer to the announcement of the Company dated 6 November 2014.



## **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; and (iii) others.

For Period 2014, the Group recorded unaudited consolidated revenue of HK\$19.9 million, up 63% against Period 2013's HK\$12.2 million. The increase in revenue was predominantly due to increased revenue from the lottery-related business. The gross profit ratio maintained at about 96% as compared with Period 2013.

For Period 2014, the Group recorded a net profit attributable to the equity holders of HK\$3.5 million, against loss of HK\$6.8 million for the Period 2013. Selling and distribution costs and administrative expenses in Period 2014 amounted to HK\$20.2 million, increase 25% as compared to HK\$16.1 million in Period 2013.

### **Business Review**

During this reporting period, the Group has signed three additional provincial contracts in Shangdong, Hebei and Guizhou. As of this reporting date, its lottery business has covered nineteen provinces and regions including Zhejiang and Shandong, both of which are among the top 4 provinces in terms of lottery sales in China (source of data: MOF, as of September 2014). Up to date, the Group's self-service business has covered over half of China's geographical areas.

We have leveraged on the track record in the expansion of the physical lottery distribution network through flagship stores, franchise stores and diversified strategic channel locations.

During the period, we have established strategic cooperative relationships with leading participating enterprises such as a subsidiary of TCL Group, to provide paperless self-service lottery solutions for Smart TVs. In addition, we have allied with Yunbo Digital Synergy to take advantage of its non-cash online and offline payment system, including Bestpay platform of China Telecom. We have also entered into a cooperation agreement with Chongqing Public E-card Limited to establish and maintain a lottery sales platform for Chongqing Welfare Lottery Administration Centre.

During this reporting period, the Group has entered into a share transaction agreement for the acquisition of a company which provide interactive electronic marketing and administrative platform to Lottery Centres. We expect to see a further expansion of the Group's business into providing value-add service to China's the lottery industry.

## **Land and Property Development Operations**

The Group still engaged in class 1 land development work, the promotion of the sales of land in the Guizhou Dalong Economic Development Zone and property management and consultancy services.

Our Group has continued to pursue business opportunities in land and property development. In this period, through utilizing of our resources and expertise we have successfully identified an opportunity to develop property transformation and sublet program in Shanghai.

During the period, our property operation has recorded a revenue of HK\$4.7 million from the provision of land and property trading.

## **Future Outlook**

We believe our recent development direction to expand our geographical coverage and business dimension in China is on the correct path with a diversified sales channel to online and offline self-service platform. We believe we can capture more strategic cooperative opportunities to unlock the enormous business value. As we are in a unique and strong position in the market and the market demand will remain strong in the future, we can expand our lottery operation to more areas in China and expand our lottery client base through the development of new distribution channels or new game interfaces in China. Thanks to our excellent team and forward-looking development, the lottery business of the Group anticipates satisfactory growth in our business and operation for the periods to come.

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

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required,

pursuant to Rules 5.46 to 5.67 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

**(1) Long positions in the ordinary shares of the Company or any of its associated corporations**

Name of Directors	Company/Name of associated corporation	Number of ordinary shares held				Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest	Total interest	
Madam Cheung Kwai Lan ("Madam Cheung") (Note)	Company	335,291,464 (Note)	414,000	40,000	335,745,464	41.76%
Mr. Chan Tung Mei ("Mr. Chan") (Note)	Company	—	40,000	335,705,464	335,745,464	41.76%
Madam Cheung	Best Frontier Investments Limited ("Best Frontier")	—	909	1 (Note)	910	—
Mr. Chan	Best Frontier	—	1	909 (Note)	910	—
Mr. To Yan Ming Edmond	Company	—	150,000	—	150,000	0.02%

*Note:* The 335,291,464 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively. Madam Cheung is the spouse of Mr. Chan and so both of them are deemed to be interested in the shares. In addition, Madam Cheung and Mr. Chan directly hold 414,000 Shares and 40,000 Shares respectively.

**(2) Share options of the Company**

The Company has adopted the share option scheme under which the Board may, at its discretion, invite eligible persons to take up options to subscribe for the shares in the Company. Eligible persons shall include any employee, directors (including executive, non-executive and independent non-executive directors) and consultants of the Company or of any subsidiary of the Company or such other persons who at the sole determination of the Board 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 10 years commencing from 31 January 2013.

For the three months ended 30 September 2014, no options were granted by the Company, a total of 70,000 shares were lapsed, 885,000 share options were exercised and there were 60,427,000 share options outstanding as at 30 September 2014. Details of the share options granted, exercised, cancelled and lapsed during the reporting period under the Share Option Scheme are set out as follows:

Grantee	Grant date	Exercise price HK\$	Exercisable period	Number of share options					Balance as at 30 September 2014
				Balance as at 1 July 2014	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	
<b>Executive Directors</b>									
Madam Cheung Kwai Lan	10/12/2013	1.752	1/4/2014 – 31/3/2017	225,000	–	–	–	–	225,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	225,000	–	–	–	–	225,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	300,000	–	–	–	–	300,000
Mr. Chan Ting	10/12/2013	1.752	1/4/2014 – 31/3/2017	225,000	–	–	–	–	225,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	225,000	–	–	–	–	225,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	300,000	–	–	–	–	300,000
<b>Non-Executive Director</b>									
Mr. Chan Tung Mei	10/12/2013	1.752	1/4/2014 – 31/3/2017	190,000	–	–	–	–	190,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	225,000	–	–	–	–	225,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	300,000	–	–	–	–	300,000
<b>Independent Non-Executive Directors</b>									
Mr. To Yan Ming Edmond	10/12/2013	1.752	1/1/2015 – 31/3/2017	150,000	–	–	–	–	150,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	200,000	–	–	–	–	200,000
Mr. Zhang Xiu Fu	10/12/2013	1.752	1/4/2014 – 31/3/2017	150,000	–	–	–	–	150,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	150,000	–	–	–	–	150,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	200,000	–	–	–	–	200,000
Mr. Yang Qing Cai	10/12/2013	1.752	1/4/2014 – 31/3/2017	150,000	–	–	–	–	150,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	150,000	–	–	–	–	150,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	200,000	–	–	–	–	200,000

Grantee	Grant date	Exercise price HK\$	Exercisable period	Number of share options					Balance as at 30 September 2014
				Balance as at 1 July 2014	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	
Other Eligible Participants (Note)	10/12/2013	1.752	1/4/2014 – 31/3/2017	1,650,000	–	(135,000)	–	–	1,515,000
	10/12/2013	1.752	1/1/2015 – 31/3/2017	4,743,000	–	–	–	(30,000)	4,713,000
	10/12/2013	1.752	1/1/2016 – 31/3/2017	6,324,000	–	–	–	(40,000)	6,284,000
	10/12/2013	1.752	1/4/2014 – 31/3/2017	2,700,000	–	–	–	–	2,700,000
	10/12/2013	1.752	1/4/2015 – 31/3/2017	2,700,000	–	–	–	–	2,700,000
	10/12/2013	1.752	1/7/2014 – 31/3/2017	12,250,000	–	(750,000)	–	–	11,500,000
	10/12/2013	1.752	1/7/2015 – 31/3/2017	12,250,000	–	–	–	–	12,250,000
			Sub-total	46,182,000	–	(885,000)	–	(70,000)	45,227,000
	13/6/2014	3.806	1/7/2015 – 30/6/2018	1,413,000	–	–	(93,000)	–	1,320,000
	13/6/2014	3.806	1/7/2016 – 30/6/2018	1,413,000	–	–	(93,000)	–	1,320,000
	13/6/2014	3.806	1/7/2017 – 30/6/2018	1,884,000	–	–	(124,000)	–	1,760,000
	13/6/2014	3.806	1/7/2015 – 30/6/2018	5,400,000	–	–	–	–	5,400,000
	13/6/2014	3.806	1/7/2016 – 30/6/2018	5,400,000	–	–	–	–	5,400,000
			Sub-total	15,510,000	–	–	(310,000)	–	15,200,000
			Total	61,692,000	–	(885,000)	(310,000)	(70,000)	60,427,000

Note: Other Eligible Participants include certain employees, business partners and consultants of the Group.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation” above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the directors and chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 30 September 2014.

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

As at 30 September 2014, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed taken to have, an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Group:

**Long positions in the shares**

Name of Shareholder	Capacity	Number of shares held		Approximate percentage of shareholding
		Long Position	Short Position	
Best Frontier & its concert parties ( <i>Note 1</i> )	Beneficial Owner	335,291,464	—	41.70%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	71,985,000	—	8.95%
Integrated Asset Management (Asia) Limited & its concert parties ( <i>Note 2</i> )	Beneficial Owner	75,997,000	—	9.45%
GAM Hong Kong Limited	Investment Manager	65,280,000	—	8.12%

*Notes:*

- (1) 335,291,464 shares are held by Best Frontier which is owned as at 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively. Madam Cheung is the spouse of Mr. Chan and so both of them are deemed to be interested in the shares. In addition, Madam Cheung and Mr. Chan directly beneficially hold 414,000 shares and 40,000 shares respectively.

- (2) 75,997,000 shares are held by Integrated Asset Management (Asia) Limited which is wholly owned by Mr. Yam Tak Cheung. A 2% coupon convertible bond (“CB”) in aggregate amount of HK\$89,625,000 for a term of three years was issued to Integrated Asset Management (Asia) Limited pursuant to the subscription agreement dated 13 January 2014. A maximum of 37,500,000 new shares will be allotted and issued to Integrated Asset Management (Asia) Limited upon conversion of the CB in full and thereafter the shareholding of Integrated Asset Management (Asia) Limited will be increased to approximately 14.12% of the current issued share capital of the Company and approximately 13.49% of the enlarged issued share capital of the Company. The initial conversion price is HK\$2.39 per conversion share subject to adjustments.

Save as disclosed above, as at 30 September 2014, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES**

During the three months ended 30 September 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares.

## **COMPETITION AND CONFLICT OF INTERESTS**

As at 30 September 2014, none of the Directors, the substantial shareholders or the controlling shareholder of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

## **CORPORATE GOVERNANCE**

### **Corporate governance practices**

During the reporting period, the Company has complied with the Code (the “CG Code”) of Corporate Governance Practices as set out in Appendix 15 of the Listing Rules save and except that all independent non-executive Directors (“INEDs”) are not appointed for a specific term under code provision A.4.1 of the CG Code.

The INEDs of the Company were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three years in accordance with the articles of association of the Company. The reason for the deviation is that the Company does not believe that arbitrary

term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders, and the retirement and re-election requirements of INEDs have given the Company's shareholders the right to approve continuation of INEDs' offices.

### **Code of conduct regarding securities transactions by directors**

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the Listing Rules (the "**Code of Conduct**"). Having made enquiry of all Directors, the Company was not aware of any non-compliance with the required standard set out in the Code of Conduct.

### **Audit committee**

The Company has established an audit committee with written terms of reference in compliance with the 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, half year report and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The Group's unaudited results for the three months ended 30 September 2014 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

By order of the Board  
**CHINA VANGUARD GROUP LIMITED**  
**眾彩科技股份有限公司\***  
**CHAN Ting**  
*Chief Executive Officer and Executive Director*

Hong Kong, 13 November 2014

*As at the date of this report, the board of directors of the Company comprises Madam Cheung Kwai Lan, Mr. Chan Ting as Executive Directors, Mr. Chan Tung Mei as Non-Executive Director and Mr. Zhang Xiu Fu, Mr. Yang Qing Cai and Mr. To Yan Ming Edmond as Independent Non-Executive Directors.*

\* *For identification purposes only*