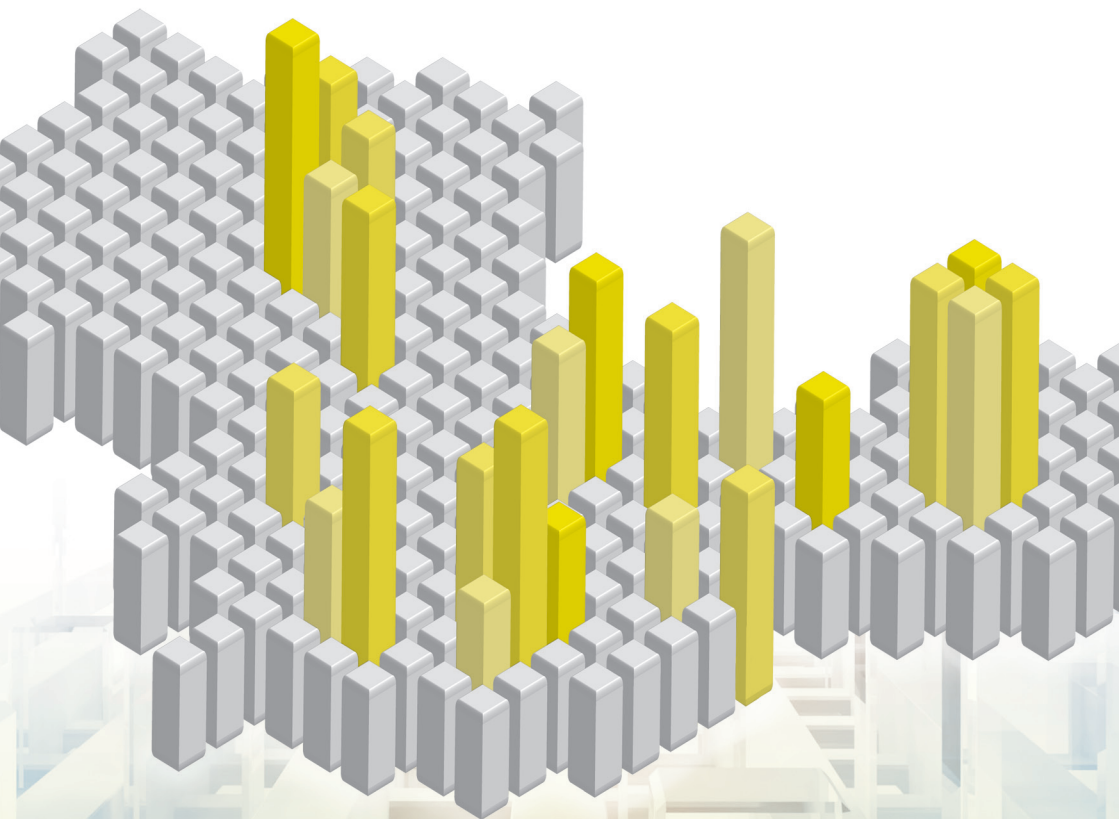




眾彩科技股份有限公司\*  
CHINA VANGUARD GROUP LTD.

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

(Stock Code: 8156)



Interim Report 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 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.*

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Vanguard Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 December 2014, and six months ended 31 December 2014 (“**Period 2014**”), together with the comparative unaudited figures for the corresponding period in 2013 (“**Period 2013**”) as follows:

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

*For the three months and six months ended 31 December 2014*

		(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	Notes	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>REVENUE</b>	2	<b>47,347</b>	20,181	<b>67,242</b>	32,369
Cost of sales		<u>(1,857)</u>	<u>(771)</u>	<u>(2,685)</u>	<u>(1,212)</u>
Gross profit		<b>45,490</b>	19,410	<b>64,557</b>	31,157
Other revenue	2	<b>2,705</b>	172	<b>3,004</b>	350
Selling and distribution costs		<u>(1,658)</u>	<u>(192)</u>	<u>(2,582)</u>	<u>(433)</u>
Administrative expenses		<u>(21,530)</u>	<u>(16,129)</u>	<u>(40,791)</u>	<u>(31,959)</u>
Operating profit (loss)	4	<b>25,007</b>	3,261	<b>24,188</b>	(885)
Finance costs	5	<b>(3,922)</b>	(2,181)	<b>(5,259)</b>	(4,411)
Share of result of a joint venture		<u>(385)</u>	<u>(792)</u>	<u>543</u>	<u>(1,357)</u>
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>20,700</b>	288	<b>19,472</b>	(6,653)
Income tax	6	<u>(1,262)</u>	<u>(76)</u>	<u>2,454</u>	<u>(194)</u>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<u><b>19,438</b></u>	<u>212</u>	<u><b>21,926</b></u>	<u>(6,847)</u>

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that may be classified subsequently to profit or loss:</b>					
Exchange differences arising on translation of financial statements of overseas operations		(2,995)	1,588	(425)	1,939
<b>TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD</b>		<b>16,443</b>	<b>1,800</b>	<b>21,501</b>	<b>(4,908)</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>					
Equity holders of the Company		11,573	558	15,061	(6,285)
Non-controlling interests		7,865	(346)	6,865	(562)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>19,438</b>	<b>212</b>	<b>21,926</b>	<b>(6,847)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSES) ATTRIBUTABLE TO:</b>					
Equity holders of the Company		8,921	2,122	14,860	(4,376)
Non-controlling interests		7,522	(322)	6,641	(532)
<b>TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE PERIOD</b>		<b>16,443</b>	<b>1,800</b>	<b>21,501</b>	<b>(4,908)</b>
<b>EARNINGS (LOSS) PER SHARE</b>	7				
Basic		<b>HK0.36 cent</b>	HK0.02 cent	<b>HK0.47 cent</b>	(HK0.21 cent)
Diluted		<b>HK0.33 cent</b>	HK0.02 cent	<b>HK0.42 cent</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		(Unaudited) 31 December 2014 HK\$'000	(Audited) 30 June 2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	13,528	10,281
Goodwill		145,520	145,099
Other intangible assets		528	776
Interests in a joint venture		17,518	16,974
		<u>177,094</u>	<u>173,130</u>
<b>CURRENT ASSETS</b>			
Inventories		1,241	1,081
Trade and other receivables and prepayments	9	151,357	104,948
Bank balances and cash		124,747	151,850
		<u>277,345</u>	<u>257,879</u>
Assets classified as held for sale		<u>—</u>	<u>5,469</u>
		<u>277,345</u>	<u>263,348</u>
<b>CURRENT LIABILITIES</b>			
Trade payables, accrued liabilities and other payables	10	21,398	18,947
Tax liabilities		5,216	7,717
Amounts due to directors		1,297	1,089
		<u>27,911</u>	<u>27,753</u>
Liabilities associated with assets classified as held for sale		<u>—</u>	<u>2,610</u>
		<u>27,911</u>	<u>30,363</u>
<b>NET CURRENT ASSETS</b>		<u>249,434</u>	<u>232,985</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>426,528</u>	<u>406,115</u>

		<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	11	<b>68,666</b>	64,311
Deferred taxation	12	<b>3,740</b>	4,310
		<hr/> <b>72,406</b> <hr/>	<hr/> 68,621 <hr/>
<b>NET ASSETS</b>		<b>354,122</b>	337,494
		<hr/> <hr/> <b>354,122</b> <hr/> <hr/>	<hr/> <hr/> 337,494 <hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>39,960</b>	40,155
Reserves		<b>294,429</b>	286,709
		<hr/> <b>334,389</b> <hr/>	<hr/> 326,864 <hr/>
Equity attributable to equity holders of the Company		<b>19,733</b>	10,630
Non-controlling interests		<hr/> <b>19,733</b> <hr/>	<hr/> 10,630 <hr/>
<b>TOTAL EQUITY</b>		<b>354,122</b>	337,494
		<hr/> <hr/> <b>354,122</b> <hr/> <hr/>	<hr/> <hr/> 337,494 <hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>11,368</b>	3,301
Net cash outflow from investing activities	<b>(28,832)</b>	(474)
Net cash outflow from financing activities	<b>(11,695)</b>	(1,051)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(29,159)</b>	1,776
Cash and cash equivalents at beginning of period	<b>151,870</b>	3,637
Effect of foreign exchange rate changes	<b>2,036</b>	1,880
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>124,747</b>	7,293
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 31 December 2014

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2014 (audited)	40,155	2,436,474	1,181	35,572	6,202	17,201	24,184	(1)	10,184	(2,244,288)	326,864	10,630	337,494
Profit for the period	–	–	–	–	–	–	–	–	–	15,061	15,061	6,865	21,926
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	–	–	(201)	–	–	–	–	(201)	(224)	(425)
<b>Total comprehensive income for the period</b>	–	–	–	–	–	(201)	–	–	–	15,061	14,860	6,641	21,501
Recognition of equity-settled share-based payments	–	–	–	–	5,187	–	–	–	–	–	5,187	–	5,187
Exercise of share options	–	–	–	–	(827)	–	–	–	–	–	(827)	–	(827)
Share options lapsed	–	–	–	–	(404)	–	–	–	–	404	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2,462	2,462
Shares repurchased	(255)	(14,368)	255	–	–	–	–	–	–	(255)	(14,624)	–	(14,624)
Share issued upon exercise of share options	60	2,869	–	–	–	–	–	–	–	–	2,929	–	2,929
<b>At 31 December 2014 (unaudited)</b>	<b>39,960</b>	<b>2,424,974</b>	<b>1,436</b>	<b>35,572</b>	<b>10,158</b>	<b>17,000</b>	<b>24,184</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,229,078)</b>	<b>334,389</b>	<b>19,733</b>	<b>354,122</b>

### For the six months ended 31 December 2013

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2013 (audited)	37,719	2,195,554	234	35,572	–	19,278	–	(1)	10,184	(2,258,463)	40,077	4,814	44,891
Loss for the period	–	–	–	–	–	–	–	–	–	(6,285)	(6,285)	(562)	(6,847)
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	–	–	1,909	–	–	–	–	1,909	30	1,939
<b>Total comprehensive income (expenses) for the period</b>	–	–	–	–	–	1,909	–	–	–	(6,285)	(4,376)	(532)	(4,908)
Recognition of equity-settled share-based payments	–	–	–	–	1,153	–	–	–	–	–	1,153	–	1,153
<b>At 31 December 2013 (unaudited)</b>	<b>37,719</b>	<b>2,195,554</b>	<b>234</b>	<b>35,572</b>	<b>1,153</b>	<b>21,187</b>	<b>–</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,264,748)</b>	<b>36,854</b>	<b>4,282</b>	<b>41,136</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed 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 six months ended 31 December 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 interpretation ("**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 AND OTHER REVENUE

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

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

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
Lottery-related business	<b>62,562</b>	25,562
Land and property development, trading and consulting services	<b>4,666</b>	6,800
Distribution of natural supplementary products	<b>14</b>	7
	<b>67,242</b>	32,369

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other revenue		
Investment income	<b>2,437</b>	—
Interest income	<b>111</b>	19
Consulting income	<b>120</b>	90
Others	<b>336</b>	241
	<b>3,004</b>	350

### 3. SEGMENT INFORMATION

#### (a) Segment revenue and results

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

#### Six months ended 31 December 2014 (Unaudited)

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

Six months ended 31 December 2013 (Unaudited)

	Lottery- related business <i>HK\$'000</i>	Land and property development, trading and consulting services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	25,562	6,800	7	32,369
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment results	9,094	6,481	(343)	15,232
	<u>          </u>	<u>          </u>	<u>          </u>	
Unallocated income				103
Unallocated expenses				(16,220)
Share of result of a joint venture				(1,357)
Finance costs				(4,411)
				<u>          </u>
Loss before taxation				(6,653)
Income tax expenses				(194)
				<u>          </u>
Loss for the period				(6,847)
				<u>          </u>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	171	17	102	290
Depreciation and amortization	3,282	19	442	3,743
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(b) Segment assets and liabilities**

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

**As at 31 December 2014 (Unaudited)**

	Lottery- related business HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	307,524	18,854	2,132	328,510
Unallocated assets				125,929
Total Assets				<u>454,439</u>
<b>Liabilities</b>				
Segment liabilities	20,235	2,050	728	23,013
Unallocated liabilities				8,638
Convertible bonds				68,666
Total Liabilities				<u>100,317</u>

**As at 30 June 2014 (Audited)**

	Lottery- related business HK\$'000	Land and property development, trading and consulting services HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	205,252	8,902	2,053	216,207
Unallocated assets				220,271
Total Assets				<u>436,478</u>
<b>Liabilities</b>				
Segment liabilities	16,420	115	941	17,476
Unallocated liabilities				17,197
Bank and other borrowings				64,311
Total Liabilities				<u>98,984</u>

#### 4. OPERATING PROFIT (LOSS)

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of sales	<b>2,685</b>	1,212
Equity-settled share-based payments	<b>5,187</b>	1,153
Depreciation of property, plant and equipment	<b>1,844</b>	3,687
Interest income	<b>(111)</b>	(19)
Exchange losses, net	<b>302</b>	1,370
	<b><u>          </u></b>	<b><u>          </u></b>

#### 5. FINANCE COSTS

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
— Convertible bonds	<b>5,259</b>	—
— Borrowings wholly repayable within five years	<b>—</b>	4,411
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>5,259</b>	4,411
	<b><u>          </u></b>	<b><u>          </u></b>

#### 6. INCOME TAX

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current period		
— Hong Kong profits tax	<b>—</b>	—
— Other jurisdiction	<b>1,626</b>	194
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>1,626</b>	194
(Over) under provision in the prior periods		
— Hong Kong profits tax	<b>—</b>	—
— Other jurisdiction	<b>(3,510)</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>(3,510)</b>	—
	<b>—</b>	—
Deferred taxation	<b>(570)</b>	—
Income tax (credit)/expenses charged for the period	<b><u>(2,454)</u></b>	<b><u>194</u></b>

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and six months ended 31 December 2014 (three months and six months ended 31 December 2013: HK\$Nil).

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

## 7. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Profit (loss) for the period attributable to the equity holders of the Company	<b>11,573</b>	558	<b>15,061</b>	(6,285)

### Number of shares

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2014 '000	2013 '000	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share (Note)	<b>3,213,621</b>	3,017,516	<b>3,213,870</b>	3,017,516
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<b>3,552,352</b>	3,023,820	<b>3,548,606</b>	3,020,688

Note:

At the extraordinary general meeting of the Company held on 16 December 2014, an ordinary resolution was passed whereas for every authorized issued and unissued share of HK\$0.05 was divided into four subdivided shares of HK\$0.0125 each. The comparative amount of the basic and diluted earnings (loss) per share for the period ended 31 December 2013 have been adjusted to reflect the impact of the share subdivision.

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

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired items of plant and machinery at a cost of approximately HK\$2,560,000 (six months ended 31 December 2013: approximately HK\$290,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2014 (six months ended 31 December 2013: no material disposal).

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
Trade receivables	<b>72,476</b>	43,306
Other receivables and prepayments	<b>78,955</b>	61,716
	<b>151,431</b>	105,022
Less: Allowances for doubtful receivables	<b>(74)</b>	(74)
	<b>151,357</b>	104,948

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance.

An ageing analysis of the Group's trade receivables at the end of reporting period is as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
0 to 30 days	<b>43,709</b>	9,838
31 to 60 days	<b>1,582</b>	1,697
61 to 180 days	<b>13,185</b>	26,377
181 to 365 days	<b>9,756</b>	5,299
Over 1 year	<b>4,244</b>	95
	<b>72,476</b>	43,306

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

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
Trade payables	—	—
Accrued liabilities and other payables	<b>21,398</b>	18,947
	<b>21,398</b>	18,947



## 11. CONVERTIBLE BONDS

On 17 January 2014, the Company issued convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which is interest bearing at a rate of 2% per annum, as general working capital and repayment of borrowings (the "Bonds"). The Bonds are convertible into fully-paid ordinary shares with a conversion price of HK\$2.39 per share. The conversion price has been adjusted to HK\$0.5975 per share upon share subdivision as disclosed in Note 13 to the consolidated financial statements.

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

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

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

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

	<b>31 December 2014 HK\$'000</b>
Nominal value of the Bonds issued	<b>89,625</b>
Equity component	<b>(28,963)</b>
Liability component at the issuance date	<b>60,662</b>
Imputed finance costs	<b>9,713</b>
Interest paid and payable	<b>(1,709)</b>
Carrying amount	<b>68,666</b>

## 12. DEFERRED TAXATION

Movements on the deferred tax liabilities account is as follows:

	<b>HK\$'000</b>
Balance at 1 July 2014 (audited)	<b>4,310</b>
Deferred tax credited to consolidated statement of profits or loss and other comprehensive income	<b>(570)</b>
Balance at 31 December 2014 (unaudited)	<b>3,740</b>

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

### 13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 30 June and 1 July 2014, ordinary shares of HK\$0.05 each (audited)	4,000,000	200,000
Share subdivision ( <i>Note (a)</i> )	12,000,000	—
At 31 December 2014, ordinary shares of HK\$0.0125 each (unaudited)	<u>16,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 July 2014, ordinary shares of HK\$0.05 each (audited)	803,102	40,155
Shares issued upon exercise of share options ( <i>Note (b)</i> )	1,200	60
Shares repurchased ( <i>Note (c)</i> )	(3,515)	(176)
Share subdivision ( <i>Note (a)</i> )	<u>2,402,360</u>	—
At 17 December 2014, ordinary shares of HK\$0.0125 each	3,203,147	40,039
Shares repurchased ( <i>Note (d)</i> )	<u>(6,340)</u>	<u>(79)</u>
At 31 December 2014, ordinary shares of HK\$0.0125 each (unaudited)	<u>3,196,807</u>	<u>39,960</u>

#### Notes:

- (a) At the extraordinary general meeting of the Company held on 16 December 2014, an ordinary resolution was passed whereas every authorized issued and unissued share of HK\$0.05 was divided into four subdivided shares of HK\$0.0125 each (the "**Share Subdivision**"). As a result, the adjusted share capital of the Company became HK\$40,039,338.35 consisting of 3,203,147,068 ordinary shares of HK\$0.0125 each.
- (b) Share options were exercised by eligible participants during the period ended 31 December 2014 to subscribe, before Share Subdivision, for a total of 1,200,000 shares of HK\$1.752 each (equivalent to 4,800,000 shares of HK\$0.438 each after Share Subdivision) by payment of subscription monies of approximately HK\$2,102,000, of which approximately HK\$2,042,000 was credited to the share premium account.
- (c) The Company repurchased 3,515,000 shares (equivalent to 14,060,000 shares after Share Subdivision) of its own shares of HK\$0.05 each on the Stock Exchange between 1 July 2014 to 16 December 2014, before the Share Subdivision. The highest and the lowest prices paid per share were HK\$2.800 and HK\$2.620 respectively (equivalent to HK\$0.700 and HK\$0.655 per share respectively after Share Subdivision). The total amount paid for the repurchase of shares including expenses was approximately HK\$9,517,000, and has been deducted from shareholders' equity. The shares were cancelled on 12 January 2015.
- (d) The Company repurchased 6,340,000 shares of its own shares of HK\$0.0125 each on the Stock Exchange between 17 December 2014 to 31 December 2014, after the Share Subdivision. The highest and the lowest prices paid per share were HK\$0.840 and HK\$0.730 respectively. The total amount paid for the repurchase of shares including expenses was approximately HK\$5,107,000, and has been deducted from shareholders' equity. The shares were cancelled on 12 January 2015.

## 14. OPERATING LEASE COMMITMENTS

### The Group as lessee

At 31 December 2014, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
Within one year	<b>4,494</b>	3,198
In the second to fifth year inclusive	<b>3,732</b>	2,658
	<b>8,226</b>	5,856

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

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

### The Group as lessor

At 31 December 2014, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
Within one year	<b>62</b>	62
In the second to fifth year inclusive	<b>52</b>	63
	<b>114</b>	125

## 15. CAPITAL COMMITMENTS

	<b>(Unaudited)</b> <b>31 December</b> <b>2014</b> <i>HK\$'000</i>	(Audited) 30 June 2014 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of additional equity interest in subsidiaries	<b>78,494</b>	79,886

## 16. RELATED PARTY TRANSACTIONS

### Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the three and six months ended 31 December 2014 was as follows:

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31 December</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Short-term benefits	<b>2,650</b>	2,411	<b>5,300</b>	4,803
Post-employment benefits	<b>34</b>	26	<b>70</b>	52
	<b>2,684</b>	2,437	<b>5,370</b>	4,855

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

### Amounts due to directors

As at 31 December 2014, amounts due to directors of approximately HK\$1,297,000 (30 June 2014: approximately HK\$1,089,000) are unsecured, interest free and have no fixed repayment term.

### Interests on loan from a substantial shareholder

No interest was accrued for a loan from a substantial shareholder during the three months and six months ended 31 December 2014 (three months and six months ended 31 December 2013: HK\$382,000 and HK\$788,000 respectively).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

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

For the Period 2014, the Group recorded unaudited consolidated revenue of HK\$67.2 million, significantly up 108% against Period 2013 of HK\$32.4 million. The increase in revenue was predominantly due to increase in revenue from the lottery-related business. Gross profit ratio remain steady at above 96% as compared with Period 2013.

For Period 2014, the Group recorded an unaudited profit attributable to the equity holders of HK\$15.1 million, a turnaround against net loss of HK\$6.3 million from Period 2013. Profit attributable to equity holders increased by HK\$11 million to HK\$11.6 million in the second quarter of Period 2014 from HK\$0.6 million in the second quarter of Period 2013. Selling and distribution costs and administrative expenses in Period 2014 amounted to HK\$43.4 million, increased by 34% as compared to HK\$32.4 million in Period 2013.

### **Business Review**

#### ***Lottery-Related Business***

The Group is delighted to report that the Group has continued to make significant inroads in its core operation in lottery services to become a leading provider in the PRC, supplying lottery software, equipment, and value-added services in operating sales distribution channels to both of China's Sports and Welfare lottery authorities, China's two lottery regulating bodies, during the reporting period.

The Group has continued to work towards building a dominant distribution network, expanding our presence into 19 provinces (20 provinces as of the date of the report) for lottery-related business, further realizing our strategy for downstream expansion and achieving greater operating leverage through our expanding distribution network. We are particularly delighted to report outstanding progress in the Sports Lottery segment, having secured a number of new contracts with provincial Sports lottery authorities in recent months.

While physical lottery distribution remains a key avenue for lottery sales, during the reporting period, we have continued to expand our geographic reach via increasing the number of self-operated stores and franchise stores through a diversified strategy of retail channel development and location-specific expansions. Channel expansion, through increasing the number of self-operated and retail channels, will remain as one of our key strategies to reap the benefits of network leverage.

On top of increasing the number of physical locations, we have also endeavored to enhance performance of existing point-of-sales (POS), by transforming and upgrading store performance through populating more stores with our interactive self-service solutions. Our self-service terminals are superior to traditional lottery machines, offering user-friendly, interactive interfaces that will pave way to further digitalization and developments. As an all-in-one solution, our terminals will be able to cater to rapid gaming-mode and even multifunctional modes. The Group is of the view that encouraging gamification of lottery betting will facilitate high-frequency betting patterns and benefit the Group. Our goal is to offer self-service solutions throughout our network. Self-service solutions will continue to be the Group's key development focus as lottery and gaming patterns continues to converge with high-frequency betting, driving gaming revenue growth.

In order to leverage on the rapid digitalization and mobilization of modern lottery operations, the Group shall cooperate with a specialist operation to provide interactive electronic marketing and lottery administration platform for Lottery Centres, and cater to interactive lottery play and high-frequency betting patterns. The technology will strengthen the Group's ability to provide innovative, premium value-added services and offer scalability of operation in managing its growing numbers of POS and expanding distribution network.

The Group will continue to encourage business growth of our channel partners through developing a coherent and scalable marketing strategy to enable new stores to capture significant shares of the market within the shortest period of time. The Group has also been working with our stores to speed up the uptake of our self-service terminals, this in turn, in addition to giving the Group income from terminal sales, would also help to improve store revenues as sales cycle for self-service terminals are much shorter than traditional over-the-counter sales methods.

The Group is keen to continuously enhance its products and services through in-house research and development as well as collaborating with industry leaders. The Group is of the view that this will enable the Group to offer a greater variety of services and capture greater share of the market.

The Group has also entered into a strategic cooperation agreement with a subsidiary under Yunbo Digital Synergy Group to explore non-cash payment solutions inclusive of China Telecom's Bestpay platform, to offer an enriched service to Lottery Centres and enhance user experience for lottery customers. The agreement will lead to contactless and wireless payment solutions that will further streamline betting process at our existing POS, enlarging our market share by tapping into previously unreached as well as existing customers.

The Group has been recognized by the World Lottery Association ("WLA"), a world-class, international lottery industry association, since 2011 and has maintained such certification for complying with WLA's stringent Security Control Standards ("SCS") and annual audits ever since. To this day, the Group remains the only lottery solutions provide in Asia to have attained both the WLA SCS and the ISO27001:2005 certifications.

### ***Other Businesses***

The Group has also been engaged in other businesses during the reporting period, inclusive of a real estate project in Xintiandi, a prime commercial area in downtown Shanghai. The Group's businesses outside of lottery-related operations contributed HK\$4.7 million to the Group's revenue during Period 2014.

### ***Future Outlook and Strategies***

The Group maintain an overall highly positive outlook on China's lottery industry, riding on consistent, consecutive year-on-year growth for lottery spending of over 22% since 2003, and the PRC's overall low GDP ratio on gaming spending relative to other Asian countries.

Going forward, the Group will continue to focus on capturing a larger share of PRC's lottery market by continuously seeking new service contracts with lottery authorities, particularly with Sport Lottery authorities, to further expand our geographic coverage and achieve greater network leverage. Hence in addition to increasing the number of stores to increase adoption of our terminals, we will also focus on stepping up our distribution network through a hybrid operation of self-operated and channel stores, and shall exert greater effort in improving incentives for our local partners, with regionally-focused event-based campaigns to capture considerable market share and store loyalty and enhance store performance.

With the governing authorities in the process of defining the framework and structure for Internet lottery, the Group is prudently yet proactively preparing ourselves for the latest technological and regulatory development, and is confident that we are poised to take advantage of such developments upon the appropriate time.

The Group has thus far proven its abilities in delivering and establishing ourselves as a reliable and innovation solutions provider to our clients and partners. The Group is of the view that we will be able to achieve our medium term strategic goal to establish ourselves as a leader of China's digital, offline lottery and sport lottery market. We believe our growing research and development capabilities, geographic presence and channel network strategy will allow us to achieve our goals in the near future.

## **Dividend**

The Board does not recommend the payment of dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: Nil).

## **Financial Resources and Liquidity**

As at 31 December 2014, shareholders' funds amounted to HK\$354.1 million (30 June 2014: HK\$337.5 million). Current assets amounted to HK\$277.3 million (30 June 2014: HK\$263.3 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK\$27.9 million (30 June 2014: HK\$30.4 million), mainly comprising of accrued liabilities, other payables and tax liabilities.

The Group's bank balances and cash amounted to HK\$124.7 million (30 June 2014: HK\$151.9 million). Net asset value per share of the Group was HK\$0.11 (30 June 2014: adjusted to HK\$0.11 after share subdivision). The gearing ratio of the Group was 20.4% as at 31 December 2014 (30 June 2014: 20.5%) on the basis of non-current liabilities divided by total equity excluding assets and liabilities classified as held for sale.

## **Foreign Exchange Exposure**

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars ("**HK\$**"), Renminbi ("**RMB**") or United States dollars ("**US\$**"). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, HK\$ and US\$ borrowings. As the exchange rate of RMB against HK\$ is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on exchange rate movement RMB, US\$ and HK\$.



## **Capital Structure**

On 16 December 2014, shareholders of the Company approved an ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company, pursuant to which, with effect from 17 December 2014, each of existing issued and unissued shares of HK\$0.050 each in the share capital of the Company was subdivided into subdivided four shares of HK\$0.0125 each (the "**Share Subdivision**"). Upon the Share Subdivision becoming effective and as at 31 December 2014, the authorized share capital of the Company was HK\$200,000,000 divided into 16,000,000,000 shares of HK\$0.0125 each, of which 3,217,207,068 shares of HK\$0.0125 each were in issue and fully paid or credited as fully paid. As a result of the Share Subdivision, adjustments to the share option scheme adopted on 31 January 2013 and to the convertible bonds issued on 17 January 2014 have been made respectively.

## **Contingent Liabilities and Pledge of Assets**

The Company has no contingent liabilities as at 31 December 2014 (30 June 2014: Nil).

No asset of the Group was pledged as securities to any third parties as at 31 December 2014 (30 June 2014: Nil).

## **Convertible Bonds**

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

## **Commitments**

The Group had capital commitments of HK\$78.5 million and operating leases commitments as lessee of HK\$8.2 million from operating as at 31 December 2014 (30 June 2014: capital commitments of HK\$79.9 million and operating lease commitments of HK\$5.9 million respectively).

## **Significant Investments, Acquisitions and Disposals**

During the reporting period, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies.

## Employees and Remuneration Policies

As at 31 December 2014, the Company and its subsidiaries employed 240 employees (30 June 2014: 220 employees). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive in the ordinary shares of HK\$0.0125 each of the Company (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 GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in the Shares of the Company or any of its Associated Corporations

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held			Total Interest	Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Beneficial Owner	Family Interest		
Cheung Kwai Lan ("Madam Cheung") (Note)	The Company	1,341,165,856	1,656,000	160,000	1,342,981,856	41.74%
Chan Tung Mei ("Mr. Chan") (Note)	The Company	—	160,000	1,342,821,856	1,342,981,856	41.74%
Madam Cheung	Best Frontier Investments Limited ("Best Frontier")	—	909	1 (Note)	910	—
Mr. Chan	Best Frontier	—	1	909 (Note)	910	—

Note: The 1,341,165,856 Shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively. In addition, Madam Cheung and Mr. Chan directly holds 1,656,000 Shares and 160,000 Shares respectively. Accordingly, Madam Cheung is the spouse of Mr. Chan and so both of them are deemed to be interested in the Shares.

## 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 options to subscribe for the Shares in the Company (the “**Share Option Scheme**”). Eligible persons shall include any employees, directors and consultants of the Company or of any subsidiary of the Company or such other persons who at the sole discretion 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 the date of adoption of the Share Option Scheme.

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

Name/ Category of Participants	Grant Date	Exercise Price HK\$	Adjusted Exercise Price (Note 1)	Exercisable Period	Number of Share Options							
					As at 1 July 2014	Adjusted Balance as at 17 December 2014 (Note 1)	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2014	
<b>Directors</b>												
Madam Cheung Kwai Lan	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	225,000	900,000	—	—	—	—	—	900,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	225,000	900,000	—	—	—	—	—	900,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	300,000	1,200,000	—	—	—	—	—	1,200,000
Mr. Chan Ting	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	225,000	900,000	—	—	—	—	—	900,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	225,000	900,000	—	—	—	—	—	900,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	300,000	1,200,000	—	—	—	—	—	1,200,000
Mr. Chan Tung Mei	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	190,000	760,000	—	—	—	—	—	760,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	225,000	900,000	—	—	—	—	—	900,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	300,000	1,200,000	—	—	—	—	—	1,200,000
Mr. To Yan Ming Edmond	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	150,000	600,000	—	—	—	—	—	600,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	200,000	800,000	—	—	—	—	—	800,000
Mr. Zhang Xiu Fu	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	150,000	600,000	—	—	—	—	—	600,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	150,000	600,000	—	—	—	—	—	600,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	200,000	800,000	—	—	—	—	—	800,000
Mr. Yang Qing Cai	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	150,000	600,000	—	(200,000)	—	—	—	400,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	150,000	600,000	—	—	—	—	—	600,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	200,000	800,000	—	—	—	—	—	800,000
				<b>Sub-total</b>	3,565,000	14,260,000	—	(200,000)	—	—	—	14,060,000

Name/ Category of Participants	Grant Date	Exercise Price HK\$	Adjusted Exercise Price (Note 1)	Exercisable Period	Number of Share Options						
					As at 1 July 2014	Adjusted Balance as at 17 December 2014 (Note 1)	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2014
Employees	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	1,458,000	5,832,000	—	(1,320,000)	—	(32,000)	4,480,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	4,536,000	18,144,000	—	—	—	(1,032,000)	17,112,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	6,048,000	24,192,000	—	—	—	(1,376,000)	22,816,000
	13/06/2014	3.806	0.952	01/07/2015 - 30/06/2018	1,413,000	5,652,000	—	—	(372,000)	(432,000)	4,848,000
	13/06/2014	3.806	0.952	01/07/2016 - 30/06/2018	1,413,000	5,652,000	—	—	(372,000)	(432,000)	4,848,000
	13/06/2014	3.806	0.952	01/07/2017 - 30/06/2018	1,884,000	7,536,000	—	—	(496,000)	(576,000)	6,464,000
					<b>Sub-total</b>	<b>16,752,000</b>	<b>67,008,000</b>	<b>—</b>	<b>(1,320,000)</b>	<b>(1,240,000)</b>	<b>(3,880,000)</b>
Other Eligible Participants (Note 2)	10/12/2013	1.752	0.438	01/04/2014 - 31/03/2017	2,892,000	11,568,000	—	(280,000)	—	—	11,288,000
	10/12/2013	1.752	0.438	01/07/2014 - 31/03/2017	12,250,000	49,000,000	—	(3,000,000)	—	—	46,000,000
	10/12/2013	1.752	0.438	01/01/2015 - 31/03/2017	207,000	828,000	—	—	—	—	828,000
	10/12/2013	1.752	0.438	01/04/2015 - 31/03/2017	2,700,000	10,800,000	—	—	—	—	10,800,000
	10/12/2013	1.752	0.438	01/07/2015 - 31/03/2017	12,250,000	49,000,000	—	—	—	—	49,000,000
	10/12/2013	1.752	0.438	01/01/2016 - 31/03/2017	276,000	1,104,000	—	—	—	—	1,104,000
	13/06/2014	3.806	0.952	1/7/2015 - 30/6/2018	5,400,000	21,600,000	—	—	—	—	21,600,000
	13/06/2014	3.806	0.952	1/7/2016 - 30/6/2018	5,400,000	21,600,000	—	—	—	—	21,600,000
				<b>Sub-total</b>	<b>41,375,000</b>	<b>165,500,000</b>	<b>—</b>	<b>(3,280,000)</b>	<b>—</b>	<b>—</b>	<b>162,220,000</b>
				<b>Total</b>	<b>61,692,000</b>	<b>246,768,000</b>	<b>—</b>	<b>(4,800,000)</b>	<b>(1,240,000)</b>	<b>(3,880,000)</b>	<b>236,848,000</b>

**Notes:**

- As a result of Share Subdivision becoming effective on 17 December 2014, the total number of Shares falling to be issued upon full exercise of the Share Options of the Company granted 10 December 2013 and 13 June 2014 were adjusted to 237,928,000 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 31 December 2014, 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), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 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 Directors, to be notified to the Company and the Stock Exchange.

## 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 six months ended 31 December 2014.

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

As at 31 December 2014, 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

Name of Shareholder	Capacity	Number of Issued Shares Held	Approximate Percentage of Shareholding
Best Frontier & its concerting parties ( <i>Note 1</i> )	Beneficial Owner	1,342,981,856	41.74%
Integrated Asset Management Limited (" <b>Integrated Asset</b> ") & its concerting parties ( <i>Note 2</i> )	Beneficial Owner	304,788,000	9.47%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	287,940,000	8.95%
GAM Hong Kong Limited	Investment Manager	259,900,000	8.08%

Notes:

1. 1,341,165,856 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung and Mr. Chan who are spouse to each other. In addition, Madam Cheung and Mr. Chan directly beneficially holds 1,656,000 and 160,000 Shares respectively. Madam Cheung is the spouse of Mr. Chan and so both of them are deemed to have interests in the Shares.
2. 304,788,000 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 14.14% of the current issued share capital of the Company and approximately 13.51% of the enlarged issued share capital of the Company. The initial conversion price is HK\$0.598 per conversion share subject to adjustment.

Save as disclosed above, as at 31 December 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.

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

### **Issue of Shares Upon Exercise of Share Options of the Company**

During the six months ended 31 December 2014, 4,800,000 Shares were issued to eligible participants after they had exercised their Share Option rights. Net proceed excluding handling fees amounted to approximately HK\$2,102,400 was received.

### **Repurchase of Shares**

During the six months ended 31 December 2014, the Company repurchased a total of 20,400,000 ordinary Shares of HK\$0.0125 each of the Company on the Stock Exchange. All of the Shares repurchased were cancelled on 12 January 2015. Particulars of the Shares repurchased are as follows:

Month of Purchase	Number of Share Repurchased	Purchase Price Paid Per Share Highest HK\$	Purchase Price Paid Per Share Lowest HK\$	Aggregate Consideration Paid (before expense) HK\$
December 2014	20,400,000	0.840	0.655	14,623,846

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

## **COMPETITION AND CONFLICT OF INTERESTS**

As at 31 December 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.

## **PRE-EMPTIVE RIGHTS**

There is no provisions for pre-emptive rights under the Articles 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**

### **Corporate Governance Practices**

The Company has adopted and complied with the applicable code of provisions as out in Appendix 15 to the GEM Listing Rules on the Stock Exchange (the “**Code**”) during the six months ended 31 December 2014, except for the following deviations which are summarized below:

#### ***Code provision A.4.1***

The Non-executive Director (the “**NED**”) and Independent Non-executive Directors (the “**INEDs**”) of the Company are appointed under a specific terms 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 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 and the retirement and re-election requirements of INEDs have given the rights to the Company’s shareholders to approve continuation of INEDs’ offices.

#### ***Code provision A.6.7***

An Executive Director, a NED and two INEDs were unable to attend an extraordinary general meeting of the Company held on 16 December 2014 due to their other business commitments respectively.

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

## **Code of Conduct Regarding Securities Transaction 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 as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code of Conduct**”). Having made enquiry to all Directors, the Company was not aware of any non-compliance with the required standards as 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 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, 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 six months ended 31 December 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board  
**CHINA VANGUARD GROUP LIMITED**  
眾彩科技股份有限公司\*

**CHAN Ting**  
*Executive Director and Chief Executive Officer*

Hong Kong, 12 February 2015

*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