众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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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.

*This announcement, 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 announcement 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 announcement misleading.*

* *for identification purposes only*

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	(Unaudited) 31 December 2014 HK$'000	(Audited) 30 June 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	**13,528**	10,281
Goodwill		**145,520**	145,099
Other intangible assets		**528**	776
Interests in a joint venture		**17,518**	16,974
		177,094	173,130
CURRENT ASSETS			
Inventories		**1,241**	1,081
Trade and other receivables and prepayments	8	**151,357**	104,948
Bank balances and cash		**124,747**	151,850
		277,345	257,879
Assets classified as held for sale		—	5,469
		277,345	263,348
CURRENT LIABILITIES			
Trade payables, accrued liabilities and other payables	9	**21,398**	18,947
Tax liabilities		**5,216**	7,717
Amounts due to directors		**1,297**	1,089
		27,911	27,753
Liabilities associated with assets classified as held for sale		—	2,610
		27,911	30,363
NET CURRENT ASSETS		**249,434**	232,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**426,528**	406,115
NON-CURRENT LIABILITIES			
Convertible bonds		**68,666**	64,311
Deferred taxation		**3,740**	4,310
		72,406	68,621
NET ASSETS		**354,122**	337,494

	Notes	(Unaudited) 31 December 2014 HK$'000	(Audited) 30 June 2014 HK$'000
CAPITAL AND RESERVES			
Share capital	*10*	**39,960**	40,155
Reserves		**294,429**	286,709
Equity attributable to equity holders of the Company		**334,389**	326,864
Non-controlling interests		**19,733**	10,630
TOTAL EQUITY		**354,122**	337,494

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Attributable to equity holders of the Company												
	Share capital	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	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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)
Total comprehensive income for the period	–	–	–	–	–	(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)	(14,369)	255	–	–	–	–	–	–	(255)	(14,624)	–	(14,624)
Share issued upon exercise of share options	60	2,869	–	–	–	–	–	–	–	–	2,929	–	2,929
At 31 December 2014 (unaudited)	39,960	2,424,974	1,436	35,572	10,158	17,000	24,184	(1)	10,184	(2,229,078)	334,389	19,733	354,122

For the six months ended 31 December 2013

	Attributable to equity holders of the Company												
	Share capital	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	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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
Total comprehensive income (expenses) for the period	–	–	–	–	–	1,909	–	–	–	(6,285)	(4,376)	(532)	(4,908)
Recognition of equity-settled share-based payments	–	–	–	–	1,153	–	–	–	–	–	1,153	–	1,153
At 31 December 2013 (unaudited)	37,719	2,195,554	234	35,572	1,153	21,187	–	(1)	10,184	(2,264,748)	36,854	4,282	41,136

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] 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, and (iii) others.

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

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

	(Unaudited) Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Other revenue		
Investment income	**2,437**	—
Interest income	**111**	19
Consulting income	**120**	90
Others	**336**	241
	3,004	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 *HK$'000*	Land and property development, trading and consulting *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**62,562**	**4,666**	**14**	**67,242**
Segment results	**36,334**	**4,509**	**(331)**	**40,512**
Unallocated income				**2,815**
Unallocated expenses				**(19,139)**
Share of result of a joint venture				**543**
Finance costs				**(5,259)**
Profit before taxation				**19,472**
Income tax				**2,454**
Profit for the period				**21,926**
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	**2,560**	—	—	**2,560**
Depreciation and amortization	**1,297**	—	—	**1,297**

Six months ended 31 December 2013 (Unaudited)

	Lottery-related business *HK$'000*	Land and property development, trading and consulting *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	25,562	6,800	7	32,369
Segment results	9,094	6,481	(343)	15,232
Unallocated income				103
Unallocated expenses				(16,220)
Share of result of a joint venture				(1,357)
Finance costs				(4,411)
Loss before taxation				(6,653)
Income tax expenses				(194)
Loss for the period				(6,847)
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

(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$'000*	**Land and property development, trading and consulting** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**307,524**	**18,854**	**2,132**	**328,510**
Unallocated assets				**125,929**
Total Assets				**454,439**
Liabilities				
Segment liabilities	**20,235**	**2,050**	**728**	**23,013**
Unallocated liabilities				**8,638**
Convertible bonds				**68,666**
Total Liabilities				**100,317**

As at 30 June 2014 (Audited)

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

4. FINANCE COSTS

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

5. INCOME TAX

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

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

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 jurisdictions.

6. 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	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the period attributable to the equity holders of the Company	**11,573**	558	**15,061**	(6,285)

Number of shares

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

7. 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).

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) **31 December** **2014** ***HK$'000***	(Audited) 30 June 2014 *HK$'000*
Trade receivables	**72,476**	43,306
Other receivables and prepayments	**78,955**	61,716
	151,431	105,022
Less: Allowances for doubtful receivable	**(74)**	(74)
	151,357	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:

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

9. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited) 31 December 2014 ***HK$'000***	(Audited) 30 June 2014 *HK$'000*
Trade payables	**—**	—
Accrued liabilities and other payables	**21,398**	18,947
	21,398	18,947

10. 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 *(Note (a))*	12,000,000	—
At 31 December 2014, ordinary shares of HK$0.0125 each (unaudited)	16,000,000	200,000
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 *(Note (b))*	1,200	60
Shares repurchased *(Note (c))*	(3,515)	(176)
Share subdivision *(Note (a))*	2,402,360	—
At 17 December 2014, ordinary shares of HK$0.0125 each	3,203,147	40,039
Shares repurchased *(Note (d))*	(6,340)	(79)
At 31 December 2014, ordinary shares of HK$0.0125 each (unaudited)	3,196,807	39,960

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 each 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.*

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; 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 holder 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 Sport 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 the 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 due to 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 the ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company, pursuant to which, with effect from 17 December 2014, each 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 fallings 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.

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		Aggregate Consideration Paid (before expense)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
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.

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 is 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 announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.cvg.com.hk.

* *For identification purposes only*