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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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

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 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 announcement misleading.*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Vanguard Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together as the "**Group**") for the three months and six months ended 31 December 2015 ("**Period 2015**"), (which has been reviewed by the Company's audit committee), together with the comparative unaudited figures for the corresponding period in 2014 ("**Period 2014**"), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2015

		(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2015	2014	**2015**	2014
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**3,855**	47,347	**21,162**	67,242
Costs of sales		**(1,188)**	(1,857)	**(2,209)**	(2,685)
Gross profit		**2,667**	45,490	**18,953**	64,557
Other revenue	*2*	**2,759**	2,705	**4,200**	3,004
Selling and distribution costs		**(3,288)**	(1,658)	**(4,809)**	(2,582)
Administrative expenses		**(20,067)**	(21,530)	**(42,609)**	(40,791)
Operating (loss) profit	*4*	**(17,929)**	25,007	**(24,265)**	24,188
Finance costs	*5*	**(2,973)**	(3,922)	**(5,864)**	(5,259)
Share of results of a joint venture		**(304)**	(385)	**(645)**	543
(LOSS) PROFIT BEFORE TAXATION		**(21,206)**	20,700	**(30,774)**	19,472
Income tax	*6*	**589**	(1,262)	**1,644**	2,454
(LOSS) PROFIT FOR THE PERIOD		**(20,617)**	19,438	**(29,130)**	21,926

	Notes	(Unaudited) Three months ended 31 December **2015** *HK$'000*	2014 *HK$'000*	(Unaudited) Six months ended 31 December **2015** *HK$'000*	2014 *HK$'000*
OTHER COMPREHENSIVE (EXPENSES) INCOME					
Items that may be classified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of overseas operations		**(4,287)**	(2,995)	**(8,553)**	(425)
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD		**(24,904)**	16,443	**(37,683)**	21,501
(LOSS) PROFIT ATTRIBUTABLE TO:					
Equity holders of the Company		**(18,205)**	11,573	**(25,846)**	15,061
Non-controlling interests		**(2,412)**	7,865	**(3,284)**	6,865
(LOSS) PROFIT FOR THE PERIOD		**(20,617)**	19,438	**(29,130)**	21,926
TOTAL COMPREHENSIVE (EXPENSES) INCOME ATTRIBUTABLE TO:					
Equity holders of the Company		**(22,315)**	8,921	**(35,171)**	14,860
Non-controlling interests		**(2,589)**	7,522	**(2,512)**	6,641
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD		**(24,904)**	16,443	**(37,683)**	21,501
(LOSS) EARNINGS PER SHARE	*7*				
Basic		**(HK0.57 cent)**	HK0.36 cent	**(HK0.81 cent)**	HK0.47 cent
Diluted		**N/A**	HK0.33 cent	**N/A**	HK0.42 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	(Unaudited) 31 December 2015 HK$'000	(Audited) 30 June 2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**15,418**	11,783
Goodwill		**174,050**	174,050
Other intangible assets		**18,600**	19,541
Interests in a joint venture		**15,104**	16,077
		223,172	221,451
CURRENT ASSETS			
Inventories		**1,202**	1,425
Trade and other receivables and prepayments	*9*	**168,184**	151,478
Bank balances and cash		**71,150**	92,942
		240,536	245,845
CURRENT LIABILITIES			
Trade payables, accrued liabilities and other payables	*10*	**52,820**	27,665
Tax liabilities		**4,741**	5,265
Amounts due to directors		**1,046**	45
		58,607	32,975
NET CURRENT ASSETS		**181,929**	212,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,101**	434,321

	Notes	(Unaudited) 31 December 2015 HK$'000	(Audited) 30 June 2015 HK$'000
NON-CURRENT LIABILITIES			
Convertible bonds	*11*	**78,198**	73,238
Deferred taxation	*12*	**2,463**	3,132
		80,661	76,370
NET ASSETS		**324,440**	357,951
CAPITAL AND RESERVES			
Share capital	*13*	**40,132**	40,097
Reserves		**274,378**	305,412
Equity attributable to equity holders of the Company		**314,510**	345,509
Non-controlling interests		**9,930**	12,442
TOTAL EQUITY		**324,440**	357,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	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 2015 (audited)	40,097	2,430,724	1,484	35,572	10,961	17,322	24,184	(1)	10,184	(2,225,018)	345,509	12,442	357,951
Loss for the period	—	—	—	—	—	—	—	—	—	(25,846)	(25,846)	(3,284)	(29,130)
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	—	(9,325)	—	—	—	—	(9,325)	772	(8,553)
Total comprehensive income for the period	—	—	—	—	—	(9,325)	—	—	—	(25,846)	(35,171)	(2,512)	(37,683)
Recognition of equity-settled share-based payments	—	—	—	—	2,858	—	—	—	—	—	2,858	—	2,858
Share options lapsed	—	—	—	—	(1,424)	—	—	—	—	1,424	—	—	—
Share issued upon exercise of share options	35	1,755	—	—	(476)	—	—	—	—	—	1,314	—	1,314
At 31 December 2015 (unaudited)	40,132	2,432,479	1,484	35,572	11,919	7,997	24,184	(1)	10,184	(2,249,440)	314,510	9,930	324,440

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)
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
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	—	—	(827)	—	—	—	—	—	2,102	—	2,102
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2015. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

2. REVENUE AND OTHER REVENUE

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

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

	(Unaudited) Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Lottery-related services	**21,162**	62,562
Land and property development, trading and consulting services	—	4,666
Others	—	14
	21,162	67,242
Other revenue		
Investment income	—	2,437
Interest income	**420**	111
Consulting income	—	120
Exchange gain, net	**3,290**	—
Others	**490**	336
	4,200	3,004

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 2015 (Unaudited)

	Lottery-related services *HK$'000*	Land and property development, trading and consulting services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**21,162**	**—**	**—**	**21,162**
Segment results	**(4,748)**	**(29)**	**(35)**	**(4,812)**
Unallocated income				**3,038**
Unallocated expenses				**(22,491)**
Share of results of a joint venture				**(646)**
Finance costs				**(5,863)**
Loss before taxation				**(30,774)**
Income tax				**1,644**
Loss for the period				**(29,130)**
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	**5,765**	**—**	**—**	**5,765**
Depreciation and amortization	**1,569**	**18**	**—**	**1,587**

Six months ended 31 December 2014 (Unaudited)

	Lottery-related services *HK$'000*	Land and property development, trading and consulting services *HK$'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 results 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	18	—	1,315

(b) Segment assets and liabilities

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

As at 31 December 2015 (Unaudited)

	Lottery-related services *HK$'000*	Land and property development, trading and consulting services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	**335,702**	**17,284**	**1,783**	**354,769**
Unallocated assets				**108,939**
Total Assets				**463,708**
Liabilities				
Segment liabilities	**17,202**	**711**	**—**	**17,913**
Unallocated liabilities				**43,157**
Convertible bonds				**78,198**
Total Liabilities				**139,268**

As at 30 June 2015 (Audited)

	Lottery-related services *HK$'000*	Land and property development, trading and consulting services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets				
Segment assets	412,095	16,052	710	428,857
Unallocated assets				38,439
Total Assets				467,296
Liabilities				
Segment liabilities	21,714	524	—	22,238
Unallocated liabilities				13,869
Convertible bonds				73,238
Total Liabilities				109,345

4. OPERATING (LOSS) PROFIT

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

	(Unaudited) Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Cost of sales	**2,209**	2,685
Equity-settled share-based payments	**2,858**	5,187
Depreciation of property, plant and equipment	**1,669**	1,844
Interest income	**(420)**	(111)
Exchange (gain) losses, net	**(3,290)**	302

5. FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Interest on:		
— Convertible bonds	**5,864**	5,259
— Borrowings wholly repayable within five years	**—**	—
	5,864	5,259

6. 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	
	2015	2014
	HK$'000	*HK$'000*
The charge comprises:		
Current period		
— Hong Kong profits tax	**—**	—
— Other jurisdiction	**—**	1,626
	—	1,626
(Over) under provision in the prior periods		
— Hong Kong profits tax	**—**	—
— Other jurisdiction	**(975)**	(3,510)
	(975)	(3,510)
Deferred taxation	**(669)**	(570)
Income tax credit for the period	**(1,644)**	(2,454)

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 2015 (three months and six months ended 31 December 2014: HK$Nil).

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

7. (LOSS) EARNINGS 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:

(Loss) Earnings

	(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the period attributable to the equity holders of the Company	**(18,205)**	11,573	**(25,846)**	15,061

Number of shares

	(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
	2015	2014	**2015**	2014
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**3,210,328**	3,213,621	**3,209,893**	3,213,870
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**3,551,242**	3,552,352	**3,547,371**	3,548,606

For the three months and six months ended 31 December 2015, outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease in loss per share.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group acquired items of plant and machinery at a cost of approximately HK$6,485,000 (six months ended 31 December 2014: approximately HK$2,560,000). The Group did not have any material disposal of plant and machinery for the six months ended 31 December 2015 (six months ended 31 December 2014: no material disposal).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited)	(Audited)
	31 December	30 June
	2015	2015
	HK$'000	*HK$'000*
Trade receivables	**79,406**	77,388
Other receivables and prepayments	**88,852**	74,164
	168,258	151,552
Less: Allowances for doubtful receivables	**(74)**	(74)
	168,184	151,478

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** **2015** ***HK$'000***	(Audited) 30 June 2015 *HK$'000*
0 to 30 days	**13,938**	13,088
31 to 60 days	**—**	5,143
61 to 180 days	**7,596**	46,371
181 to 365 days	**41,046**	12,617
Over 1 year	**16,826**	169
	79,406	77,388

10. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited) **31 December** **2015** ***HK$'000***	(Audited) 30 June 2015 *HK$'000*
Trade payables	**20**	21
Accrued liabilities and other payables	**52,800**	27,644
	52,820	27,665

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	31 December **2015** ***HK$'000***	30 June 2015 *HK$'000*
0-30 days	**—**	—
31-120 days	**—**	—
121-180 days	**—**	—
181-365 days	**—**	4
Over 1 year	**20**	17
	20	21

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$0.598 per share upon share subdivision on 17 December 2014.

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:

	31 December 2015
	HK$'000
Nominal value of the Bonds issued	**89,625**
Equity component	**(28,963)**
Liability component at the issuance date	**60,662**
Imputed finance costs	**21,038**
Interest paid and payable	**(3,502)**
Carrying amount	**78,198**

12. DEFERRED TAXATION

Movements on the deferred tax liabilities account is as follows:

	HK$'000
Balance at 1 July 2015 (audited)	3,132
Deferred tax credited to consolidated statement of profits or loss and other comprehensive income	(669)
Balance at 31 December 2015 (unaudited)	2,463

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 1 July 2015 and 31 December 2015, ordinary shares of HK$0.0125 each (unaudited)	16,000,000	200,000
Issued and fully paid:		
At 1 July 2015, ordinary shares of HK$0.0125 each (audited)	3,207,765	40,097
Shares issued upon exercise of share options *(Note)*	2,795	35
At 31 December 2015, ordinary shares of HK$0.0125 each (unaudited)	3,210,560	40,132

Note: Share options were exercised by eligible participants during the period ended 31 December 2015 to subscribe, for 2,620,000 shares with exercise price of HK$0.438 each and 175,000 shares with exercise price of HK$0.952 each by payment of subscription monies of approximately HK$1,314,000, of which approximately HK$1,279,000 was credited to the share premium account.

14. 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 2015 was as follows:

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short-term benefits	**5,010**	2,650	**10,052**	5,300
Post-employment benefits	**36**	34	**72**	70
	5,046	2,684	**10,124**	5,370

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

Balances with related parties

As at 31 December 2015, amounts due to directors of approximately HK$1,062,000 (30 June 2015: approximately HK$45,000) are unsecured, interest free and have no fixed repayment term.

As at 31 December 2015, amounts due from related companies of approximately HK$301,000 (30 June 2015: approximately HK$384,000). The amounts are unsecured, interest free and have no fixed repayment terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

For Period 2015, the Group recorded unaudited consolidated revenue of HK$21.2 million, decreased by 68.5% against Period 2014 of HK$67.2 million. The decrease in revenue was due to decrease in revenue from the lottery-related business and no contribution from property related business. Gross profit ratio decreased to 89.6% as compared with 96.0% for Period 2014.

For Period 2015, the Group recorded an unaudited loss attributable to the equity holders of HK$25.8 million, compared against a net profit of HK$15.1 million for Period 2014. Loss attributable to equity holders was HK$18.2 million from the second quarter of Period 2015 against profit of HK$11.6 million for Period 2014. Selling and distribution costs and administrative expenses for Period 2015 amounted to HK$47.4 million, increased by 9.3% as compared to HK$43.4 million for Period 2014.

Business Review

The Group has continued to focus on developing our lottery-related services in the PRC during the review period, with an objective to becoming the leading lottery service provider catering to both Sports and Welfare Lottery Administration Centres across the PRC.

The Group has dedicated itself to expand its geographic coverage since 2013 and has successfully secured operating agreements in twenty one provinces and regions as at the financial year end of 2015, accessing 65% of the PRC's population. Since then the Group has begun to advance our strategy from pure geographic expansion to the next level, balancing efforts to drill-in our reach and develop partnerships that would deepen market penetration. With a view to build a network platform beyond the lottery store, the Group has been creating a one-stop service experience, developing solutions which incorporate innovative information technologies, marketing solutions, logistics and distribution services. Since 2015, the Group has entered into numerous partnerships with third-parties that would enable the Group to build an end-to-end lottery-solutions service platform. This has continued into the period under review.

The Group has acquired an electronic lottery marketing and administration company in May 2015 for the provision of interactive display panels in Lottery Centres. Preparation has been made for pilot launch of the display panels and the comprehensive and measurable interactive electronic information system shall enhance end-user experience and is expected to bring in new revenues to the Group.

With our service platform taking form, the Group has been realigning its internal resources for better allocation and utilization during the review period. Efforts have been made to achieve greater efficiency in day to day operations including workflows and communications in order to establish our operations as a platform. The Group has also been strategically growing its technology teams, expanding the team size to prepare ourselves for impending growth in the need for research and development. As part of this ongoing process, the Group has entered into the Restructuring Agreement, increasing its stake in a key subsidiary in January 2016.

During the review period the Group has continued to work on enhancing administration and technology services offered to Sports and Welfare Lottery Administration Centres while also working closely with our local partners to develop new marketing and distribution services that would facilitate sales for store operators.

The Group's performance has continued to be influenced by the overall retrenchment in the lottery industry during the review period that has carried on from the previous reporting period. In January 2016, the Ministry of Finance released the statistics on total lottery sales for 2015 with a declined by 3.8% year-on-year to RMB 367.9 billion. The soft-landing of China's economy has been attributed as the key reason for the decline. Sales revenues from Sports Lottery for 2015 has been hit especially hard and has declined by 5.7% year-on-year at RMB166.4 billion. Sports Lottery has reported exceptionally high growth in period 2014 with major international sporting events taking place during the year. On the other hand, sales revenues from Welfare Lottery has declined by 2.2% to RMB201.5 billion.

During the review period, the Central Government was still in the process of regulating Internet lottery. Even though the Group is not engaged in Internet lottery, as the market contemplates the practical implementation and implications of such news, regional and municipal level authorities have shown different interpretation on latest distribution methodology including self-service lottery which has affected the market sentiment especially in the second quarter of Period 2015. As a result of which commission income from self-service lottery sales has declined along with service income from store rollout and implementation as new store openings have also slowed down substantially during Period 2015. This has led to the overall decrease in the Group's revenues which is reflected during the review period.

This being said, the Group believes this is a prime consolidation opportunity for the lottery industry as policy makers further improve upon the developing regulatory framework with greater clarity and transparency for a growing industry, industry players with the right strategy and business model to emerge as leaders. The Group is actively reviewing opportunities to collaborate with suitable parties in information technology and in distribution channels that would enable it to strengthen its operations.

Outlook and Strategies

The current operating model of Group effectively centralizes products and services onto one single platform that is the most suitable structure to service different provinces and municipalities across the PRC. The "plug-and-play" model would be most advantageous in a long run and enable the Group to distribute its products and services in the most scalable format. Furthermore, the Group will continue its initiatives to support store operations and enable broader and more ingrained reach to lottery customers in each of the province and municipality where the Group is present.

The Group believes the lottery related interactive display panels will also be a strategically disruptive development that will enable the Group to break into new revenue streams through innovative use of the latest information technology solutions, hence creating tremendous opportunity and a new business model in the future.

The Group is of the view that the slower growth is only temporary to the extent that it shall foster a key opportunity for the Group to tap into potential collaborations between industry players, and shall enable the Group to take advantage of potential acquisition or expansions opportunities should they present themselves. Meanwhile, the Group will continue to enhance the utilization of its internal resources with the restructuring and realignment of its resources to prepare for impending growth.

As previously mentioned, the latest industry trends such as the introduction of interactive gaming elements in lottery formats, the convergence between lottery and gaming, as well as the changes in user behavior have also been the driving force behind changes in the industry, which all lean towards favouring long term growth. The Group therefore remains highly positive of the lottery industry's long term outlook.

Dividend

The Board does not recommend the payment of dividend for the six months ended 31 December 2015 (six months ended 31 December 2014: Nil).

Financial Resources and Liquidity

As at 31 December 2015, shareholders' funds amounted to HK$324 million (30 June 2015: HK$358 million). Current assets amounted to HK$241 million (30 June 2015: HK$246 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK$59 million (30 June 2015: HK$33 million), mainly comprising of accrued liabilities, other payables and tax liabilities.

The Group's bank balances and cash amounted to HK$71 million (30 June 2015: HK$93 million). Net asset value per share of the Group was HK$0.10 (30 June 2015: HK$0.11).

The gearing ratio of the Group was 24.9% as at 31 December 2015 (30 June 2015: 21%) on the basis of non-current liabilities divided by total equity.

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$**"), Renminbi ("**RMB**") or United Stated dollars ("**US$**"). 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 the RMB, US$ and HK$ exchange rate movement.

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 existing issued and unissued share of HK$0.050 each in the share capital of the Company was divided into four subdivided shares of HK$0.0125 each (the "**Share Subdivision**"). 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.

As at 31 December 2015, the issued share capital of the Company was 3,210,560,068 Shares.

Event After the Reporting Period

On 12 January 2016, the Company, through United Power Asia Investment Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), has entered into a restructuring agreement with both the existing 49% shareholders (the "**Sellers**") of Anhui Ao Cai Information Technology Limited ("**Anhui Ao Cai**") and Anhui Ao Cai, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, 8.54% of the equity interest in Anhui Ao Cai. The total aggregate consideration is amounted to approximately RMB15,297,000 (equivalent to approximately HK$18,089,000). Upon the completion of the acquisition, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%. Further details of the acquisition have been set out in the announcement of the Company dated 12 January 2016.

GENERAL INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 December 2015, 2,795,000 Shares were issued to eligible persons after they had exercised their Share Option rights. Net proceeds exclusive of handling fees of HK$1,314,160 was received.

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

Competing Interests

As at 31 December 2015, none of Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

Corporate Governance Practices

The Company has adopted and complied with the applicable code of provisions as out in Appendix 15 of the GEM Listing Rules on the Stock Exchange (the "**Code**") during the six months ended 31 December 2015, except for the following deviations which are summarized below:

Code provision A.4.1

The Non-executive Director and Independent Non-executive Directors (the "**INEDs**") of the Company are not appointed under a specific terms but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company. The Company does not believe that arbitrary term limits on Directors' services are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders. The retirement and re-election requirements of INEDs have given the rights to the Company's shareholders to approve continuation of INEDs' offices.

Code provision A.6.7

An INED were unable to attend the annual general meeting of the Company held on 23 November 2015 due to health reason.

The corporate governance practices 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.

Directors' Securities Transactions

The Company has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the "**Code of Conduct**") regarding Directors' securities transaction in the Shares of the Company. Having made specific enquires, the Company has confirmed with all Directors that they have complied with the required standards as set out in the Code of Conduct during the six months ended 31 December 2015.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules and consisted of three INEDs, namely Mr. ZHANG Xiu Fu, Mr. YANG Qing Cai and Mr. TO Yan Ming Edmond. Mr. TO Yan Ming Edmond is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The Group's unaudited results for the six months ended 31 December 2015 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 2016

As at the date of this announcement, the Board 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 publication and on the website of the Company at www.cvg.com.hk.

* *For identification purposes only*