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 2016

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.*

INTERIM RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the three months and six months ended 31 December 2016 ("**Period 2016**"), (which has been reviewed by the Company's audit committee), together with the comparative unaudited figures for the corresponding period in 2015 ("**Period 2015**"), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2016

		(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
		2016	2015	**2016**	2015
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**7,145**	3,855	**15,333**	21,162
Costs of sales		**(1,237)**	(1,188)	**(2,344)**	(2,209)
Gross profit		**5,908**	2,667	**12,989**	18,953
Other income	*3*	**826**	2,759	**1,204**	4,200
Selling and distribution expenses		**(2,227)**	(3,288)	**(3,874)**	(4,809)
Administrative and operating expenses		**(26,045)**	(20,067)	**(49,873)**	(42,609)
Operating loss		**(21,538)**	(17,929)	**(39,554)**	(24,265)
Finance costs	*4*	**(3,277)**	(2,973)	**(6,561)**	(5,864)
Share of results of joint ventures		**(533)**	(304)	**(541)**	(645)
Loss before tax	*5*	**(25,348)**	(21,206)	**(46,656)**	(30,774)
Income tax credit	*6*	**1,273**	589	**1,677**	1,644
Loss for the period		**(24,075)**	(20,617)	**(44,979)**	(29,130)
Loss for the period attributable to:					
Equity holders of the Company		**(22,361)**	(18,205)	**(41,495)**	(25,846)
Non-controlling interests		**(1,714)**	(2,412)	**(3,484)**	(3,284)
		(24,075)	(20,617)	**(44,979)**	(29,130)

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 December		31 December	
		2016	2015	**2016**	2015
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other comprehensive loss for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of overseas operations		**(3,302)**	(4,287)	**(4,020)**	(8,553)
Total comprehensive loss for the period		**(27,377)**	(24,904)	**(48,999)**	(37,683)
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		**(25,193)**	(22,315)	**(45,006)**	(35,171)
Non-controlling interests		**(2,184)**	(2,589)	**(3,993)**	(2,512)
		(27,377)	(24,904)	**(48,999)**	(37,683)
Loss per share attributable to equity holders of the Company	*8*				
Basic		**(HK0.69 cent)**	(HK0.57 cent)	**(HK1.29 cents)**	(HK0.81 cent)
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	(Unaudited) 31 December 2016 HK$'000	(Audited) 30 June 2016 HK$'000
Non-current assets			
Property, plant and equipment		**13,781**	16,070
Goodwill		**99,288**	99,288
Intangible assets		**12,280**	14,674
Interests in joint ventures		**14,281**	15,110
		139,630	145,142
Current assets			
Inventories		**5,798**	5,059
Trade and other receivables and prepayments	*9*	**65,128**	76,111
Bank balances and cash		**13,910**	32,999
		84,836	114,169
Current liabilities			
Trade payables, accruals and other payables	*10*	**17,585**	18,797
Amount due to directors		**8,119**	732
Obligation under finance leases		**185**	—
Convertible bonds	*11*	**89,084**	83,434
Deferred tax liabilities		**89**	1,746
Tax liabilities		**4,433**	5,121
		119,495	109,830
Net current (liabilities)/assets		**(34,659)**	4,339
Total assets less current liabilities		**104,971**	149,481

	Notes	(Unaudited) 31 December 2016 *HK$'000*	(Audited) 30 June 2016 *HK$'000*
Non-current liabilities			
Obligation under finance leases		**439**	—
		439	—
Net assets		**104,532**	149,481
Capital and reserves			
Share capital		**40,338**	40,338
Reserves		**51,559**	96,003
Equity attributable to equity holders of the Company		**91,897**	136,341
Non-controlling interests		**12,635**	13,140
Total equity		**104,532**	149,481

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the unaudited interim consolidated financial statements for the six months ended 31 December 2016 are consistent with the financial statements of the Group for the year ended 30 June 2016.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2016. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

2. 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 2016 (Unaudited)

	Lottery-related services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**13,647**	**1,686**	**15,333**
Segment results	**(36,007)**	**(246)**	**(36,253)**
Unallocated income			**175**
Unallocated expenses			**(3,476)**
Share of results of joint ventures			**(541)**
Finance costs			**(6,561)**
Loss before tax			**(46,656)**
Income tax credit			**1,677**
Loss for the period			**(44,979)**
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to property, plant and equipment	**1,340**	**214**	**1,554**
Depreciation and amortization	**4,247**	**256**	**4,503**

Six months ended 31 December 2015 (Unaudited)

	Lottery-related services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	21,162	—	21,162
Segment results	(4,748)	(64)	(4,812)
Unallocated income			3,038
Unallocated expenses			(22,491)
Share of results of joint ventures			(646)
Finance costs			(5,863)
Loss before tax			(30,774)
Income tax credit			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

(b) Segment assets and liabilities

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

As at 31 December 2016 (Unaudited)

	Lottery-related services *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Assets			
Segment assets	**197,275**	**2,155**	**199,430**
Unallocated assets			**25,036**
Total assets			**224,466**
Liabilities			
Segment liabilities	**27,666**	**601**	**28,267**
Unallocated liabilities			**2,583**
Convertible bonds			**89,084**
Total liabilities			**119,934**

As at 30 June 2016 (Audited)

	Lottery-related services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets			
Segment assets	228,750	2,399	231,149
Unallocated assets			28,162
Total assets			259,311
Liabilities			
Segment liabilities	17,932	583	18,515
Unallocated liabilities			7,881
Convertible bonds			83,434
Total liabilities			109,830

3. REVENUE AND OTHER INCOME

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

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

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
Provision of lottery-related services	**13,647**	21,162
Others	**1,686**	—
	15,333	21,162
Other income		
Interest income	**43**	420
Exchange gain, net	**—**	3,290
Others	**1,161**	490
	1,204	4,200

4. FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest on:		
— Convertible bonds	**6,554**	5,864
— Finance lease payment	**7**	—
	6,561	5,864

5. LOSS BEFORE TAX

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging/(crediting):		
Cost of inventories sold	**2,344**	2,209
Equity-settled share-based payments	**562**	2,858
Depreciation of property, plant and equipment	**2,692**	1,669
Amortization of intangible assets	**1,811**	50
Exchange losses/(gain), net	**1,749**	(3,290)

6. INCOME TAX CREDIT

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

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Over provision in the prior periods		
— Hong Kong profits tax	**20**	—
— Other jurisdiction	**—**	975
	20	975
Deferred tax	**1,657**	669
Income tax credit for the period	**1,677**	1,644

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 2016 (three months and six months ended 31 December 2015: HK$Nil).

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

7. DIVIDENDS

The board does not recommend the payment of dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

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

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

Loss

	(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to the equity holders of the Company	**(22,361)**	(18,205)	**(41,495)**	(25,846)

Number of shares

	(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
	2016	2015	**2016**	2015
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,227,065**	3,210,328	**3,227,065**	3,209,893
Weighted average number of ordinary shares for the purposes of diluted loss per share	**3,227,065**	3,551,242	**3,227,065**	3,547,371

For the three months and six months ended 31 December 2016, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months and six months ended 31 December 2015: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months and six months ended 31 December 2015: decrease in loss per share).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) **31 December** **2016** ***HK$'000***	(Audited) 30 June 2016 *HK$'000*
Trade receivables	**77,847**	78,714
Other receivables and prepayments	**45,378**	43,936
	123,225	122,650
Less: Allowances for doubtful receivables	**(58,097)**	(46,539)
	65,128	76,111

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

The following is an aged analysis of trade receivables at the end of the reporting period:

	(Unaudited) **31 December** **2016** ***HK$'000***	(Audited) 30 June 2016 *HK$'000*
0 to 30 days	**4,823**	3,077
31 to 60 days	**1,620**	13,788
61 to 180 days	**6,890**	13,164
181 to 365 days	**20,100**	34,918
Over 1 year	**44,414**	13,767
	77,847	78,714

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	(Unaudited) **31 December** **2016** ***HK$'000***	(Audited) 30 June 2016 *HK$'000*
Trade payables	**131**	136
Accruals and other payables	**17,454**	18,661
	17,585	18,797

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:

	(Unaudited) **31 December** **2016** ***HK$'000***	(Audited) 30 June 2016 *HK$'000*
0-30 days	**—**	—
31-120 days	**—**	—
121-180 days	**—**	—
181-365 days	**—**	—
Over 1 year	**131**	136
	131	136

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.

On 18 January 2017, the Company and the Bondholder entered into the Amendment Agreement and agreed to amend some principal terms of the Bonds, where (i) the conversion price shall be amended to HK$0.359 per share which can be converted into for the maximum number of 249,651,810 Shares; (ii) the maturity date share be extended for six months from 17 January 2017 to 17 July 2017 with a further six months extension upon a prior written consent from the Bondholder; and (iii) the interest rates shall be increased to 8% per annum and shall be paid semi-annually.

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

	(Unaudited) 31 December 2016 *HK$'000*	(Audited) 30 June 2016 *HK$'000*
Nominal value of the Bonds issued	**89,625**	89,625
Equity component	**(28,963)**	(28,963)
Liability component at the issuance date	**60,662**	60,662
Imputed finance costs	**33,716**	27,162
Interest paid and payable	**(5,294)**	(4,390)
Carrying amount	**89,084**	83,434

12. COMPARATIVE AMOUNTS

Certain amounts in the condensed consolidated financial statements for the period ended 31 December 2015 have been reclassified to be consistent with the current period presentation. These reclassification have no effect on the previously reported loss for the prior period.

13. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2017, the Company and the Bondholder entered into the Amendment Agreement and agreed to amend some principal terms of the Bonds,where (i) the conversion price shall be amended to HK$0.359 per share; (ii) the maturity date shall be extended for six months from 17 January 2017 to 17 July 2017 with a further six months extension upon a prior written consent from the Bondholder; and (iii) the interest rates shall be increased to 8% per annum and shall be paid semi-annually.

Upon full conversion of the Bonds at the amended conversion price of HK$0.359 per ordinary share of the Company, a maximum total number of 249,651,810 shares would be issued by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

For Period 2016, the Group recorded unaudited consolidated revenue of HK$15.3 million, decreased by 27.5% against Period 2015 of HK$21.2 million. Revenue decreased as the result of a decline in sales of lottery-related business. Gross profit ratio decreased to about 84.7% as compared with 89.6% for Period 2015.

For Period 2016, the Group recorded a net loss attributable to the equity holders of HK$41.5 million, increased by 60.5% from HK$25.8 million for Period 2015. Loss attributable to equity holders was HK$22.4 million from the second quarter of Period 2016, increased by 22.8% from HK$18.2 million for Period 2015. Selling and distribution expenses and administrative expenses in Period 2016 amounted to HK$53.7 million, increased 13.3% as compared to HK$47.4 million in Period 2015.

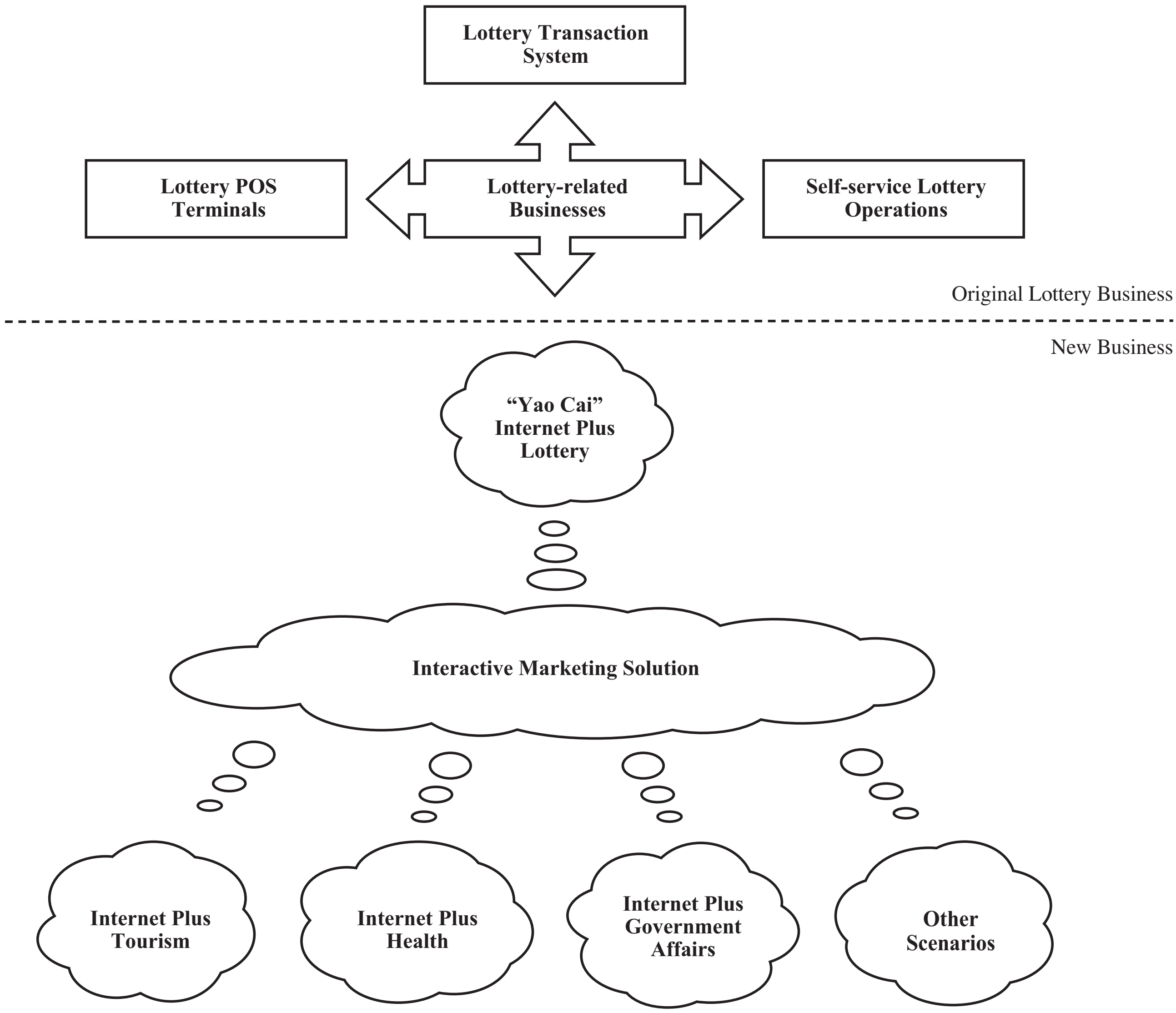
Business Review

During the review period, the Group has engaged in providing lottery transaction system, lottery Point-of-Sale ("**POS**") terminals, and self-service lottery operations ("**Original Lottery Business**") in twenty-two provinces and municipalities across the People's Republic of China (the "**PRC**") and has started to develop our proprietary interactive marketing solution (the "**Interactive Marketing Solution**"). The Interactive Marketing Solution is internationally recognized and has won a gold award for "Technology for Dissemination System of Public Information and Advertising" at the 44th International Exhibition of Inventions of Geneva.

Since the Group observes that the lottery industry desires an effective marketing solution to expand consumer base, while at the same time the PRC government proposes the concept of "Internet Plus" in recent years, therefore the Group has developed a marketing solution named "Yao Cai". "Yao Cai" is a type of the Interactive Marketing Solution tailored to the lottery industry. The Interactive Marketing Solution can integrate online channels with various lottery offline channels to realize an effective interactive marketing.

During the review period, the Group has successfully won an electronic poster procurement tender in provision of LED display with "Yao Cai" for Hainan Sports Lottery Administration Center and further expanded "Yao Cai" business to Hainan province. Together with Hainan province, the Group has provided "Yao Cai" to lottery centers in four provinces/cities of the PRC.

Based on accumulated experience and resources on "Internet Plus Lottery", the Group has further developed and applied the Interactive Marketing Solution to various scenarios by our own resources or through cooperation with different business partners. We have expanded our new business to "Internet Plus Tourism", "Internet Plus Health", and "Internet Plus Government Affairs", respectively. Please see the picture below:



"Internet Plus Tourism": On 5 December 2016, the Group entered into a letter of intent with You Champion International Industrial Limited under which both parties expressed the intention to form a new joint venture company (the "**JV Company**") to operate in the Kingdom of Tonga. The JV Company will utilize the Interactive Marketing Solution (1) to promote Tonga tourism and airlines in Tonga to international and PRC tourists; and (2) to provide the membership management system with precision marketing features for airlines in Tonga. The JV Company will also develop tourism and aviation-related businesses in Tonga, as well as assist airlines in Tonga to promote their international routes. It will be the first time for the Group to apply the Interactive Marketing Solution to "Internet Plus Tourism" and bring the Interactive Marketing Solution into the global stage.

"Internet Plus Health": On 26 December 2016, the Group entered into a memorandum of understanding with Sinopharm (Yanbian) Ecommerce Co., Ltd. ("**Sinopharm Ecommerce**"), IQARK Supply Chain Co., Ltd. ("**IQARK**") and United Enterprises CBT Cultural Industrial Co., Ltd. ("**United Enterprises**") to establish a new joint venture company (the "**JV Company**"). The purpose is to build a nationwide "Internet Plus Health" online-to-offline sales platform in the PRC. Through respective strengths of all parties, the JV Company will leverage on (1) the Interactive Marketing Solution and the Group's lottery industry-related resources to expand the distribution networks throughout the PRC; (2) Sinopharm Ecommerce and United Enterprises' abilities to ensure stable supply of non-pharmaceutical products with quality assurance; and (3) IQARK's solid experience on operation of offline distribution channels and logistics; to share the resources from all parties more effectively and maximize the synergy effects to the JV Company. It will be the first time for the Group to apply the Interactive Marketing Solution to "Internet Plus Health".

"Internet Plus Government Affairs": Prior to the date of this announcement, the Group has successfully won a tender in the provision of new media services for Shenzhen Traffic Police ("**SZTP**"). These new media services are provided on the basis of the features of the Interactive Marketing Solution. Through this cooperation with SZTP, the Interactive Marketing Solution will be extended to the government affairs and is expected to be gradually expanded throughout the PRC.

Outlook and Strategies

In the future, the Group will continue to strive for "Yao Cai" contracts with more provincial lottery centers to provide "Yao Cai" solutions to more lottery shops and to enhance the market dominance of "Internet Plus Lottery" for the Group.

The "Internet Plus" business has a great potential for development in the PRC. The Group will continue to utilize the accumulated experience and resources to create more business opportunities for "Internet Plus Health", "Internet Plus Tourism", and "Internet Plus Government Affairs". At the same time, the Group will further apply the relevant solution to additional scenarios, and will cooperate with various government departments and commercial organizations to generate new business opportunities and revenue streams for the Group.

We expect that the Original Lottery Business for the Group will remain stable except for the self service lottery. The self-service lottery is still a comparatively new type of distribution channel in the lottery industry in the PRC. We are confident that the Group would be the first one to be benefited when the self-service related lottery policy is more clear. Therefore, we still believe that there are many opportunities of self-service lottery business in long run. The Group will continue to prepare and equip ourselves when we are waiting for reactivation of this business segment.

Dividend

The Board does not recommend the payment of dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

Financial Resources and Liquidity

As at 31 December 2016, shareholders' fund amounted to HK$104.5 million (30 June 2016: HK$149.5 million). Current assets amounted to HK$84.8 million (30 June 2016: HK$114.2 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amounted to HK$119.5 million (30 June 2016: HK$109.8 million, mainly comprising of convertible bonds, trade payables, accruals and other payables, and tax liabilities.

The Group's bank balances and cash amounted to HK$13.9 million (30 June 2016: HK$33 million). Net asset value per share of the Group was HK$0.03 (30 June 2016: HK$0.05).

As at 31 December 2016, the gearing ratio of the Group was 85.8% (30 June 2016: 55.8%) on the basis of the Group's total interest-bearing borrowings 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.

Share Capital

As at 31 December 2016, the total number of issued share of the Company was 3,227,065,068 ordinary shares of HK$0.0125 each (the "**Share(s)**").

Event After the Reporting Period

Proposed Amendments to the Terms of the Convertible Bonds

On 18 January 2017, the Company entered into an amendment agreement (the "**Amendment Agreement**") with Integrated Asset Management (Asia) Limited ("**Integrated Asset Management**") as the bondholder, pursuant to which both parties agreed to amend some principal terms of the Convertible Bonds maturing on 17 January 2017, where (i) the conversion price shall be amended to HK$0.359 per Share; (ii) the maturity date shall be extended for six months from 17 January 2017 to 17 July 2017 with a further six months extension upon a prior written consent from the bondholder; and (iii) the interest rates shall be increased to 8% per annum and shall be paid semi-annually (the "**Proposed Amendments**"). Upon full conversion of the Bonds at the adjusted conversion price of HK$0.359 per Share, a maximum total number of 249,651,810 Shares would be issued by the Company.

The Amendment Agreement, Proposed Amendments and transactions contemplated thereunder are subject to the approval by the independent shareholders of the Company at the forthcoming extraordinary general meeting, and the Stock Exchange approving the Proposed Amendments and the listing on the Stock Exchange of conversion shares arising from the Convertible Bonds.

GENERAL INFORMATION

Connected Transaction

On 18 January 2017, the Company and Integrated Asset Management, as the bondholder, entered into the Amendment Agreement in respect of the Proposed Amendment of the Convertible Bonds. As Integrated Asset Management is a substantial shareholder and a connected person of the Company as defined under Chapter 20 of the GEM Listing Rules, the Proposed Amendment as contemplated under the Amendment Agreement constitutes a connected transaction of the Company pursuant to the GEM Listing Rules. The Amendment Agreement, Proposed Amendments and transactions contemplated thereunder are subject to the approval by the independent shareholders of the Company at the forthcoming extraordinary general meeting, and the Stock Exchange approving the Proposed Amendments and the listing on the Stock Exchange of conversion shares arising from the Convertible Bonds.

Details of the Proposed Amendments have been disclosed in the announcement of the Company dated 18 January 2017.

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

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares.

Competing Interests

As at 31 December 2016, none of Directors, the substantial shareholders nor the controlling shareholder 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 (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Corporate Governance Practices

The Company has adopted and complied with the applicable code of provisions as out in Appendix 15 to the GEM Listing Rules on the Stock Exchange (the "**CG Code**") during the six months ended 31 December 2016, except for the following deviations which are summarized below:

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Independent Non-executive Directors (the "**INED(s)**") of the Company are not appointed under a specific terms but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the Articles of Association. The Company does not believe that arbitrary term limits on Directors' services are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders. The retirement and re-election requirements of INEDs have given the rights to the Company's shareholders to approve continuation of INEDs' offices.

Code provision A.6.7

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

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 2016.

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, risk management and internal control systems.

The Group's unaudited results for the six months ended 31 December 2016 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, 10 February 2017

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*