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THIRD QUARTERLY REPORT
2017 / 2018



眾彩羽翔股份有限公司*
China Vanguard You Champion Holdings Limited
(Formerly known as China Vanguard Group Limited)

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8156

*For identification purposes only

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*This report, for which the directors (the “**Directors**”) of China Vanguard You Champion Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2018

RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and nine months ended 31 March 2018 (the “**Period 2018**”), together with the selected comparative unaudited figures for the corresponding period in 2017 (the “**Period 2017**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2018

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2	5,781	7,955	18,646	23,288
Costs of sales		(712)	(734)	(2,004)	(3,078)
Gross profit		5,069	7,221	16,642	20,210
Other income/(expenses)		396	(78)	3,369	1,126
Selling and distribution expenses		(294)	(2,118)	(1,239)	(5,992)
Administrative and operating expenses		(20,343)	(28,436)	(60,500)	(78,309)
Operating loss		(15,172)	(23,411)	(41,728)	(62,965)
Finance costs		(3,356)	(4,686)	(10,153)	(11,247)
Share of results of joint ventures		—	527	—	(14)
Loss before tax	3	(18,528)	(27,570)	(51,881)	(74,226)
Income tax credit	4	257	194	785	1,871
Loss for the period		(18,271)	(27,376)	(51,096)	(72,355)
Loss for the period attributable to:					
Equity holders of the Company		(17,952)	(25,976)	(48,860)	(67,471)
Non-controlling interests		(319)	(1,400)	(2,236)	(4,884)
		(18,271)	(27,376)	(51,096)	(72,355)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2018

Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Other comprehensive loss for the period, net of tax:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of financial statements of overseas operations	1,427	1,070	3,209	(2,950)
Total comprehensive loss for the period	(16,844)	(26,306)	(47,887)	(75,305)
Total comprehensive loss for the period attributable to:				
Equity holders of the Company	(16,763)	(25,011)	(46,177)	(70,017)
Non-controlling interests	(81)	(1,295)	(1,710)	(5,288)
	(16,844)	(26,306)	(47,887)	(75,305)
Loss per share attributable to equity holders of the Company				
Basic	(HK0.54 cents)	(HK0.80 cents)	(HK1.48 cents)	(HK2.09 cents)
Diluted	N/A	N/A	N/A	N/A

The accompanying notes on page 3 to 7 form an integral part of this quarterly financial report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2018

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial results for the nine months ended 31 March 2018 have been prepared in accordance with accounting principle generally accepted in Hong Kong under which 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 principal accounting policies and methods of computation used in the preparation of the unaudited consolidated financial results for the nine months ended 31 March 2018 are consistent with the financial statements of the Group for the year ended 30 June 2017.

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 2017. 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

The principal activities of the Group are (i) provision of lottery-related services and (ii) others (including the provision of catering services, consulting services and internet plus solution services). 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) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue				
Provision of lottery-related services	4,358	7,175	15,741	20,822
Others	1,423	780	2,905	2,466
	5,781	7,955	18,646	23,288

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2018

3. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	712	734	2,004	3,078
Equity-settled share-based payments	—	7,640	24	8,202
Depreciation of property, plant and equipment	1,111	2,122	3,848	4,814
Amortization of intangible assets	763	892	2,213	2,703
Change in fair value of contingent consideration	(280)	1,540	840	1,440
Interest income	(4)	(6)	(7)	(49)
Exchange losses, net	492	105	737	1,854
Interest on convertible bonds	3,352	4,682	10,137	11,236

4. INCOME TAX CREDIT

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

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Over provision in the prior periods: — Hong Kong profits tax	—	—	—	20
Deferred tax	257	194	785	1,851
Income tax credit for the period	257	194	785	1,871

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 nine months ended 31 March 2018 (three months and nine months ended 31 March 2017: HK\$Nil).

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2018

5. 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 March		(Unaudited) Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period attributable to the equity holders of the Company	(17,952)	(25,976)	(48,860)	(67,471)

Number of shares

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	3,290,855	3,228,731	3,290,855	3,227,612
Weighted average number of ordinary shares for the purposes of diluted loss per share	3,290,855	3,544,936	3,290,855	3,439,300

For the three months and nine months ended 31 March 2018, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months and nine months ended 31 March 2017: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months and nine months ended 31 March 2017: decrease in loss per share).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2018

6. MOVEMENT OF RESERVES

For the nine months ended 31 March 2018

	Attributable to equity holders of the Company									
	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Share option reserve	Translation reserve	Convertible bonds reserve	Special reserve	Capital reserve	Retained profits/(Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2017 (audited)	2,480,372	1,484	35,572	1,547	5,543	2,672	(1)	5,769	(2,574,739)	(41,781)
Loss for the period	—	—	—	—	—	—	—	—	(48,860)	(48,860)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	2,683	—	—	—	—	2,683
Total comprehensive (loss)/income for the period	—	—	—	—	2,683	—	—	—	(48,860)	(46,177)
Amendments to the terms of convertible bonds	—	—	—	—	—	528	—	—	5,343	5,871
Deferred tax liabilities arising from amendments to the terms of convertible bonds	—	—	—	—	—	(528)	—	—	—	(528)
Recognition of equity-settled share-based payments	—	—	—	24	—	—	—	—	—	24
Share options lapsed	—	—	—	(1,257)	—	—	—	—	1,257	—
Disposal of interest in subsidiary	—	—	—	—	—	—	—	4,415	—	4,415
At 31 March 2018 (unaudited)	2,480,372	1,484	35,572	314	8,226	2,672	(1)	10,184	(2,616,999)	(78,176)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2018

6. MOVEMENT OF RESERVES – *Continued*

For the nine months ended 31 March 2017

	Attributable to equity holders of the Company									Total 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	
At 1 July 2016 (audited)	2,442,537	1,484	35,572	10,056	6,522	24,184	(1)	5,769	(2,430,120)	96,003
Loss for the period	–	–	–	–	–	–	–	–	(67,471)	(67,471)
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	–	(2,546)	–	–	–	–	(2,546)
Total comprehensive loss for the period	–	–	–	–	(2,546)	–	–	–	(67,471)	(70,017)
Amendments to the terms of convertible bonds	–	–	–	–	–	(21,699)	–	–	24,184	2,485
Recognition of equity-settled share-based payments	–	–	–	8,202	–	–	–	–	–	8,202
Share options lapsed	–	–	–	(4,293)	–	–	–	–	4,293	–
Shares issued upon exercise of share options	37,834	–	–	(10,692)	–	–	–	–	–	27,142
At 31 March 2017 (unaudited)	2,480,371	1,484	35,572	3,273	3,976	2,485	(1)	5,769	(2,469,114)	63,815

7. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial statements were approved and authorised for issue by the Board on 14 May 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

For Period 2018, the Group recorded unaudited consolidated revenue of HK\$18.6 million, decreased by 19.9% against Period 2017 of HK\$23.3 million. Revenue decreased as the result of a decline in sales of lottery related business. The gross profit ratio increased to about 89.3% as compared with 86.8% for Period 2017.

For Period 2018, the Group recorded a net loss attributable to the equity holders of HK\$48.9 million, decreased 27.6% from HK\$67.5 million for Period 2017. Loss attributable to equity holders was HK\$18 million from the third quarter of Period 2018, decreased by 31% from HK\$25.9 million for Period 2017. Selling and distribution expenses and administrative expenses in Period 2018 amounted to HK\$61.7 million, decreased 26.8% as compared to HK\$84.3 million in Period 2017.

BUSINESS REVIEW

The Group provides the leading hardware and software solutions to the lottery industry in a number of provinces and cities in the PRC. Meanwhile, the “Internet Plus” business of the Group has commenced actual operations and also continues to strengthen its business foundation through actively conserving and amplifying relevant resources.

During the period under review, the Group’s “Internet Plus” business continues to provide “Internet Plus” solutions to various industries. In addition to the smart government affairs service, content and information management and interactive marketing, the Group achieved a breakthrough in the business by expanding into the mobile payment market. In March 2018, the Group successfully signed a legally binding business cooperation agreement (the “**Business Cooperation Agreement**”) with Shenzhen branch of China UnionPay Co., Ltd. (中國銀聯股份有限公司) (“**China UnionPay**”) in relation to nationwide authorisation to develop the leasing related businesses based on the “Mobile QuickPass” (雲閃付) platform built and operated by China UnionPay. This cooperation not only marked the recognition from a leading player in other industry on the Group’s “Internet Plus Leasing” business but also set a great precedent for future collaboration with China UnionPay on a wider range of business scopes, allowing the Group to tap into China’s mobile payment market with a humongous market size of over RMB100 trillion, while it also represents the further perfection of the Group’s “Internet Plus” business chain.

In addition to the cooperation with China UnionPay, the Group’s “Internet Plus Leasing” business as a whole also achieved some solid marks. In January 2018, the Group following the provision of technical application development for the Shenzhen Residential Lease Trading Service Platform, entered into a legally binding strategic cooperation agreement (the “**GZCI Strategic Cooperation Agreement**”) and a development agreement for GZCI Residential Lease Platform (“**GZCI Development Agreement**”) with Guangzhou City Construction Investments Group Smart City Technology Development Company Limited (廣州城投智慧城市科技發展有限公司) (“**GZCI Smart City**”). Pursuant to these agreements,



MANAGEMENT DISCUSSION AND ANALYSIS

the Group was appointed as the technical service provider to build a one-stop WeChat (微信) based platform that can be connected with various types of services, in order to provide basic services on an online residential lease platform that contains public rental housing, institutional housing and private housing in Guangzhou. Meanwhile, a strategic partnership was formed between the Group and GZCI Smart City in GZCI Lease Platform and smart city market segment. The GZCI Residential Lease Platform project has been launched and is in operation.

Steady progress was also made on the “Internet Plus Healthcare” business. The Group commenced its cooperation with Sinopharm Traditional Chinese Medicine Co. Ltd (國藥藥材股份有限公司), a subsidiary of China National Pharmaceutical Group (中國醫藥集團總公司) in the form of joint ventures in Hong Kong and Shanghai respectively for the e-commerce, import and export of health-related products. During the period under review, the joint venture company in Hong Kong entered into a purchase agreement with Lung Fung Pharmaceutical (Group) Ltd (龍豐藥業(集團)有限公司) (the “**Lung Fung**”). The joint venture company will further solidify the foundation of the Group’s “Internet Plus Healthcare” business through integrating the wide range of product lines of health-related and cosmetic products, massive online-offline sales network and comprehensive sales experience from Lung Fung, with our online-offline sales technology.

Meanwhile, the Group’s “Internet Plus” business has been actively expanded to service industry. In January 2018, the Group has entered into an agreement to acquire Shenzhen TBSEO Info Tech Co. Ltd. (深圳滕寶盛信息科技有限公司) (the “**TBSEO**”), a company incorporated in Shenzhen, with an aim to leverage on the experience and resources in education and training of TBSEO to accelerate the development of the Group in “Internet Plus Education” market which is expected to have a market size of over RMB100 billion.

In addition to the above, the Group has conducted discussion with the relevant government authorities in Hainan started back in early 2012 in relation to the development of large-scale cultural, sports and gaming projects (including interactive lottery related business and sports training and tourism facilities) and its cooperation with Hainan Sports Lottery Administration Centre since 2016. Subsequent to the period under review, the Group entered into cooperation with Hainan Huan Yu Assets Investment Company Limited (海南桓裕實業投資有限公司), Icederby International Co., Ltd. and Tahiti Black Pearl Poe Raua Nui Limited, which are principally engaged in property development, organising of sports events and marketing, respectively, with an aim to expand its capabilities in Hainan, and to forge a stronger foundation, in order to explore the development of lottery related, sports tourism industries, the development of “Internet Plus” consumption ecosystem, and government related supervision system so as to promote tourism consumption. Simultaneously, our development deeply drills into the business values indicated by the Guidelines on Supporting Hainan’s Efforts to Deepen Reform and Opening Up released by the Chinese government recently.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND STRATEGIES

The Group's "Internet Plus" business has been progressively developing with a solidifying foundation, while the strategic cooperations have been gradually turned into concrete cooperations. The "Internet Plus" solutions provided by the Group were well accepted by users which helps the Group in continuously acquiring more strong partners, further expanding the strong foundation, creating even more opportunities in the future. The Board believes that the Group could further leverage on its business resources and networks accumulated throughout the years, as well as the management's acute market sense toward the industry development, to bring in new growth drivers for future development and create value for the Shareholders of the Group.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 March 2018 (nine months ended 31 March 2017: Nil).

GENERAL INFORMATION

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

As at 31 March 2018, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK\$0.0125 each of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares of the Company or Any of Its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note)	The Company	743,565,856	4,656,000	3,020,000	751,241,856	22.83%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note)	The Company	—	3,020,000	748,221,856	751,241,856	22.83%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note)	—	909	1	910	—
Mr. CHAN	Best Frontier (Note)	—	1	909	910	—
Dr. LIU Ta-pei	The Company	—	965,000	—	965,000	0.03%
Mr. YANG Qing Cai	The Company	—	475,000	—	475,000	0.01%

Note:

743,565,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN respectively. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to be interested in the Shares.



GENERAL INFORMATION

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the nine months ended 31 March 2018.

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

As at 31 March 2018, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

Long Positions in the Shares

Name of Shareholders	Capacity	Number of Issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier & its concert parties (<i>Note 1</i>)	Beneficial Owner	751,241,856	22.83%
Integrated Asset Management (Asia) Limited (" Integrated Asset ") & its concert parties (<i>Note 2</i>)	Beneficial Owner	538,233,000	16.36%
GAM Hong Kong Limited	Investment Manager	240,950,000	7.32%
Tarascon Asia Absolute Fund (Cayman) Ltd.	Beneficial Owner	170,099,960	5.17%



GENERAL INFORMATION

Notes:

1. 743,565,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to be interested in the Shares.
2. 538,233,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung. The 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 for a term of six months were issued to Integrated Asset pursuant to the amendment agreement dated 18 January 2017 (the “CBs”). The Company received a written consent from Integrated Asset, of which the maturity date of the CBs would be extended for the further six months to 17 January 2018. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The adjusted conversion price is HK\$0.359 per conversion share subject to adjustment.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 18 April 2018 in which the amendments to the terms of the CBs would be effective from 18 January 2018. The maturity date of the CBs was extended for six months from 17 January 2018 to 17 July 2018, and further extended maturity date upon a prior written consent from Integrated Asset shall be 17 January 2019. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full and thereafter the shareholding of Integrated Asset will be increased to approximately 23.94% of the current issued Share capital of the Company and approximately 22.25% of the enlarged issued Share capital of the Company.

Save as disclosed above, as at 31 March 2018, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 31 January 2013 (the “**Share Option Scheme**”) under which the Board may, at its discretion, invite eligible persons to take up to subscribe for the Shares in the Company. Eligible persons shall include any Directors, employees and consultants of the Company or of any subsidiary of the Company or such other persons whom at the sole discretion of the Board are deemed to have contributed to the Group at the time when an option is granted to such person. The Share Option Scheme will remain valid for a period of 10 years commencing from the date of adoption of the Share Option Scheme.

GENERAL INFORMATION

The details of the movements in share options under the Share Option Scheme during the nine months ended 31 March 2018 were as follows:—

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options					As at 31 March 2018
				As at 1 July 2017	Granted	Exercised	Cancelled	Lapsed	
Employees	13/06/2014	0.952	01/07/2015 - 30/06/2018	936,000	—	—	—	(216,000)	720,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	936,000	—	—	—	(216,000)	720,000
	13/06/2014	0.952	01/07/2017 - 30/06/2018	1,248,000	—	—	—	(288,000)	960,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	540,000	—	—	—	(540,000)	—
	21/07/2015	1.280	01/07/2017 - 30/06/2019	540,000	—	—	—	(540,000)	—
	21/07/2015	1.280	01/07/2018 - 30/06/2019	720,000	—	—	—	(720,000)	—
				Sub-total	4,920,000	—	—	—	(2,520,000)
Other Eligible Participants (Note 2)	13/06/2014	0.952	01/07/2015 - 30/06/2018	20,100,000	—	—	—	—	20,100,000
	13/06/2014	0.952	01/07/2016 - 30/06/2018	20,100,000	—	—	—	—	20,100,000
	21/07/2015	1.280	01/07/2016 - 30/06/2019	10,000,000	—	—	—	—	10,000,000
	21/07/2015	1.280	01/07/2017 - 30/06/2019	10,000,000	—	—	—	—	10,000,000
				Sub-total	60,200,000	—	—	—	—
			Total	65,120,000	—	—	—	(2,520,000)	62,600,000

Notes:

- In respect of share subdivision becoming effective on 17 December 2014, the total number of the Shares that would be eligible to be issued upon full exercise of the share options of the Company granted on 13 June 2014 was adjusted and the corresponding exercise price of HK\$3.806 was adjusted to HK\$0.952 per Share.
- Other Eligible Participants include certain business partners and consultants of the Group.



GENERAL INFORMATION

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

During the nine months ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares.

COMPETING INTERESTS

As at 31 March 2018, none of the Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined under 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 provisions as set out in Appendix 15 to the GEM Listing Rules (the "**CG Code**") during the nine months ended 31 March 2018, except for the following deviation which is 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 "**INEDs**") of the Company are not appointed under a specific term 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.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard 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. Having made specific enquires, the Company has confirmed with all Directors that they have complied with the required standard as set out in the Code of Conduct during the nine months ended 31 March 2018.



GENERAL INFORMATION

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 the Audit Committee consisted of three INEDs, namely Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. 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 nine months ended 31 March 2018 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 YOU CHAMPION
HOLDINGS LIMITED**
眾彩羽翔股份有限公司*

CHAN Ting
Executive Director and Chief Executive Officer

Hong Kong, 14 May 2018

As at the date of this report, the Board comprises Madam CHEUNG Kwai Lan, Mr. CHAN Ting as Executive Directors, Mr. CHAN Tung Mei as Non-executive Director, and Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei as Independent Non-executive Directors.

** For identification purposes only*