



眾彩羽翔股份有限公司
China Vanguard You Champion Holdings Limited

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

2018 / 2019

First Quarterly Report



B2G



B2C



B2B

眾彩
China Vanguard

公共安全
Public Security

醫療衛生
Health Care

政務
Government
Affairs

彩票
Lottery

教育
Education

旅遊
Tourism

住房租賃
Leasing



CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of China Vanguard 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 (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 THREE MONTHS ENDED 30 SEPTEMBER 2018

RESULTS

The board of Directors of the Company (the “**Board**”) announces that the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 September 2018 (the “**Period 2018**”), together with the 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

		(Unaudited) Three months ended 30 September	
		2018 HK\$'000	2017 HK\$'000
	<i>Notes</i>		
Revenue	2	5,441	6,691
Costs of sales		(761)	(559)
Gross profit		4,680	6,132
Other income		44	525
Selling and distribution expenses		—	(629)
Administrative and operating expenses		(16,049)	(20,385)
Operating loss		(11,325)	(14,357)
Finance costs		(2,815)	(3,359)
Share of result of joint ventures		—	—
Loss before tax	3	(14,140)	(17,716)
Income tax credit	4	578	257
Loss for the period		(13,562)	(17,459)
Loss for the period attributable to:			
Equity holders of the Company		(12,787)	(15,671)
Non-controlling interests		(775)	(1,788)
		(13,562)	(17,459)



QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

		(Unaudited) Three months ended 30 September	
<i>Notes</i>		2018 HK\$'000	2017 HK\$'000
Other comprehensive income/(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		(205)	889
Total comprehensive loss for the period		(13,767)	(16,570)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(12,872)	(14,951)
Non-controlling interests		(895)	(1,619)
		(13,767)	(16,570)
Loss per share attributable to equity holders of the company			
Basic	5	(HK0.38 cents)	(HK0.48 cents)
Diluted		N/A	N/A



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2018

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 GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the three months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2018.

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 2018. 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, (ii) provision of internet plus solution services, (iii) others services (including catering services and consulting 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 30 September	
	2018 HK\$’000	2017 HK\$’000
Revenue		
Lottery-related services	4,849	5,925
Internet plus solution services	231	—
Others	361	766
	5,441	6,691



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2018

3. LOSS BEFORE TAX

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

	(Unaudited) Three months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	761	559
Equity-settled share-based payments	—	24
Depreciation of property, plant and equipment	661	1,640
Interest income	(1)	(1)
Loss on change in fair value of contingent consideration	—	200
Exchange losses, net	1	9
Interest on convertible bonds	2,808	3,353

4. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during Period 2018 (Period 2017: Nil).

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2018

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

The calculation of the 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 30 September	
	2018 HK\$'000	2017 HK\$'000
Loss for the period attributable to the equity holders of the Company	(12,787)	(15,671)

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	3,290,855	3,290,855

For the three months ended 30 September 2018, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months ended 30 September 2017: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months ended 30 September 2017: decrease in loss per share).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2018

6. MOVEMENT OF RESERVES

For the three months ended 30 September 2018

	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
At 1 July 2018 (audited)	41,135	2,480,372	1,484	35,572	—	5,134	—	(1)	10,184	(2,633,272)	(59,392)
Loss for the year	—	—	—	—	—	—	—	—	—	(12,787)	(12,787)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(85)	—	—	—	—	(85)
Total comprehensive (loss)/income for the year	—	—	—	—	—	(85)	—	—	—	(12,787)	(12,872)
Amendments to the terms of convertible bonds	—	—	—	—	—	—	1,738	—	—	—	1,738
At 30 September 2018 (unaudited)	41,135	2,480,372	1,484	35,572	—	5,049	1,738	(1)	10,184	(2,646,059)	(70,526)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2018

For the three months ended 30 September 2017

	Attributable to equity holders of the Company									
	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
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	—	—	—	—	—	—	—	—	(15,671)	(15,671)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	720	—	—	—	—	720
Total comprehensive (loss)/income for the period	—	—	—	—	720	—	—	—	(15,671)	(14,951)
Amendments to the terms of convertible bonds	—	—	—	—	—	528	—	—	2,672	3,200
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	—	—	—	(988)	—	—	—	—	988	—
At 30 September 2017 (unaudited)	2,480,372	1,484	35,572	583	6,263	2,672	(1)	5,769	(2,586,750)	(54,036)

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 13 November 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For Period 2018, the Group recorded unaudited consolidated revenue of HK\$5.4 million, decreased by 19% against Period 2017 of HK\$6.7 million. Revenue decreased as the result of a decline in sales of lottery related business. The gross profit ratio decreased to about 86% as compared with 92% for Period 2017. For Period 2018, the Group recorded a net loss attributable to the equity holders of HK\$12.8 million, decreased 18% from HK\$15.7 million for Period 2017. Selling and distribution expenses and administrative expenses in Period 2018 amounted to HK\$16 million, decreased 24% as compared to HK\$21 million in Period 2017. Finance costs for Period 2018 decreased 16% to HK\$2.8 million as compared to HK\$3.4 million for Period 2017 relating to decrease in imputed finance costs on convertible bonds.

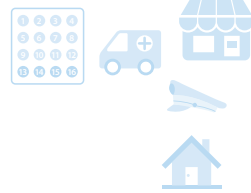
BUSINESS REVIEW

The Group provides the leading hardware and software solutions to the lottery industry in a number of provinces and cities in the PRC. The “Internet Plus” business of the Group has been commenced and broadly applied into various industries, while revenue has been recorded continually during this review period. Meaning that the “Internet Plus” solutions has been in practical use and progressively generating revenue.

During the review period, the Group has achieved a major breakthrough on our “Internet Plus” business in the leasing industry. On 14 September 2018, the Group officially signed the project development service agreement for Shenzhen Lease Service Supervisory Platform (“**Shenzhen Lease Platform**”) with Tencent Cloud Computing (Beijing) Co., Ltd. (“**Tencent Cloud**”). Shenzhen Lease Platform is a project authorized by Tencent Cloud to develop supervisory platform and related services of Shenzhen Lease Platform by the Group, including Shenzhen Lease Platform which integrates the self-service system, operation and supervision system, third-party interface to the Shenzhen Lease Platform, housing data filter, operation and maintenance services for Shenzhen housing rental agencies. According to the project development service agreement, the income for the Group will be a share of 14.88%, referencing to the total revenue generated by Tencent Cloud from Shenzhen Lease Platform project, for which a supplemental agreement can be signed separately if needed. By finalizing the agreement, the Group will be expected to record income from “Internet Plus Lease”. Along with further promotion of the “Internet Plus Lease” business, it is estimated that the solution will bring in substantial revenue to the Group. Currently, Shenzhen Lease Platform has been launched and is in operation.

While our “Internet Plus Lease” business has further stepped into Shenzhen, prior to Shenzhen, the solution has already entered into Guangzhou since January 2018 through strategic partnership with Guangzhou City Construction Investments Group Smart City Technology Development Company Limited (“**GZCI Smart City**”) as technical service provider of Guangzhou City Construction Investments Group Company Limited (“**GZCI**”) Residential Lease Platform (“**GZCI Lease Platform**”). GZCI Smart City was authorized by GZCI as technical support party to develop the GZCI Lease Platform.

The development of “Internet Plus Lease” also built up a good business foundation for the business cooperation which was signed with Shenzhen Branch of China UnionPay Co., Ltd. (“**UnionPay Shenzhen**”) (中國銀聯股份有限公司深圳分公司) in March 2018 in relation to nationwide authorization to develop the leasing related businesses based on the “Mobile QuickPass” (雲閃付) platform.



MANAGEMENT DISCUSSION AND ANALYSIS

For “Internet Plus Public Security”, on 14 August 2018, the Group has announced our first definitive cooperation with Tencent Cloud in regards of the provision of “Internet Plus” solution for the livelihood policing projects of the Public Security Bureau of Shenzhen Municipality (“**SZ Police**”) since the signing the strategic cooperation agreement between the Group and Tencent Cloud. The project is an integration of the external communication channels such as various independent websites, WeChat official accounts into one access point, in order to unify manage by SZ Police, enhance efficiency and reduce the cost to manage. The solution developed for SZ Police is a convergence media platform for the SZ Police with an access from the WeChat (微信) based platform, providing the function of collection and integration of information, content production, together with distribution and promotion through different channels. The convergence media platform also provides a matrix management system for information dissemination for SZ Police and all its affiliates units, as well as connecting the SZTP Star Users Services and related services into the People’s Livelihood Policing Services Platform of Shenzhen (深圳市公安民生警務平台). By applying mobile location based service (LBS) technology, our project solution enables the SZ Police to provide precision services and information to the general public and achieves its three major objectives of high efficiency, manageability and building up the media platform through new media channel, which in turns help the SZ Police to enhance the safety awareness of the general public and to maintain public security effectively. Currently, the solution has been launched and put into operation.

For “Internet Plus Health”, Sinopharm Health Cross Border E-Commerce Company Limited (“**Sinopharm Cross Border E-Commerce**”), a company established in Hong Kong jointly ventured between the Group and a subsidiary of China National Pharmaceutical Group (中國醫藥集團總公司), Sinopharm Traditional Chinese Medicine Co. Ltd (“**Sino-TCM**”) (國藥藥材股份有限公司), is also actively developing e-commerce, import and export of health related products, supply chain and other related business. Sinopharm Cross Border E-Commerce has opened up the channel importing overseas quality products to the PRC for the sales with Lung Fung Pharmaceutical (Group) Ltd (龍豐藥業(集團)有限公司) during the review period. Before the publication of this quarterly report, Sinopharm Cross Border E-Commerce has established a wholly-owned Hong Kong company, Sinopharm (Hong Kong) Industrial Co., Limited, focusing on import overseas health related products into various e-commerce platforms in the PRC.

OUTLOOK AND STRATEGIES

The industries covered by the Group’s “Internet Plus” business has become more diversified. The businesses are solidly developing and the revenue has begun to be realized. The Group will focus on jointly developing and materializing more business cooperation with tycoons from various industries such as Sino-TCM, Tencent Cloud and UnionPay Shenzhen based on the existing cooperation basis. In addition, the Group will expand its business to broader segments. These new segments will unleash its enormous potential along the waves of industries transformation. The Group will record considerable revenue if succeeds in establishing footholds in any of these segments and will better utilize the resources as well as advantages from the Group and our business partners to achieve synergy effect. Our solutions which are continuous innovative and in line with market development will provide an exponential growing ability to the Group.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2018 (three months ended 30 September 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

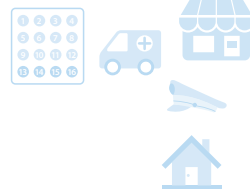
As at 30 September 2018, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK\$0.0125 each of the Company (the "Share(s)"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities 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				Total Interest	Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest			
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note)	The Company	683,565,856	4,656,000	3,020,000	691,241,856	21.00%	
Mr. CHAN Tung Mei ("Mr. CHAN") (Note)	The Company	—	3,020,000	688,221,856	691,241,856	21.00%	
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note)	—	909	1	910	—	
Mr. CHAN	Best Frontier	—	1	909	910	—	
Mr. YANG Qing Cai	The Company	—	475,000	—	475,000	0.01%	

Note:

683,565,856 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 30 September 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 three months ended 30 September 2018.

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

As at 30 September 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	691,241,856	21.00%
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	195,070,000	5.93%



GENERAL INFORMATION

Notes:

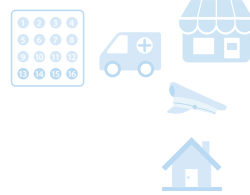
1. 683,565,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of 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 pursuant to the second amendment agreement 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. Such written consent from Integrated Asset has been received by the Company. 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 30 September 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 three months ended 30 September 2018 were as follows:—

Name/ Category of Participants	Grant Date	Exercise Price	Exercisable Period	Number of Share Options					As at 30 September 2018
				As at 1 July 2018	Granted	Exercised	Cancelled	Lapsed	
Other Eligible Participants (Note)	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
			Total	20,000,000	—	—	—	—	20,000,000

Note:

Other Eligible Participants include certain business partners and consultants of the Group.

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

During the three months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

As at 30 September 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 three months ended 30 September 2018, except for the following deviation which is summarized below:



GENERAL INFORMATION

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 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.

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 three months ended 30 September 2018.

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 three months ended 30 September 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, 13 November 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.