



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  
Interim Report



B2G



B2C



B2B

眾彩  
China Vanguard

公共安全  
Public Security

醫療衛生  
Health Care

政務  
Government  
Affairs

教育  
Education

彩票  
Lottery

旅遊  
Tourism

住房租賃  
Leasing



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# INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

## RESULTS

The board of Directors of the Company (the “Board”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 31 December 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 six months ended 31 December 2018

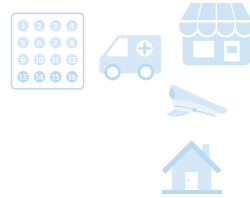
|   | Notes | (Unaudited)<br>Three months ended<br>31 December |                                | (Unaudited)<br>Six months ended<br>31 December |                                |
|---|-------|--|--------------------------------|--|--------------------------------|
|   |       | 2018<br>HK\$'000                                 | 2017<br>HK\$'000<br>(Restated) | 2018<br>HK\$'000                               | 2017<br>HK\$'000<br>(Restated) |
| Revenue                                     | 3     | 6,934  | 6,174                          | 12,375   | 12,865                         |
| Costs of services                           |       | (2,557)  | (2,134)                        | (4,456)  | (4,093)                        |
| Gross profit                                |       | 4,377  | 4,040                          | 7,919  | 8,772                          |
| Other income                                | 3     | 216  | 2,448                          | 260  | 2,973                          |
| Selling and distribution expenses           |       | —  | (316)                          | —  | (945)                          |
| Administrative and operating expenses       |       | (8,597)  | (18,371)                       | (23,508)                                       | (37,356)                       |
| <b>Operating loss</b>                       |       | <b>(4,004)</b>                                   | <b>(12,199)</b>                | <b>(15,329)</b>                                | <b>(26,556)</b>                |
| Finance costs                               | 4     | (2,856)  | (3,438)                        | (5,671)  | (6,797)                        |
| <b>Loss before tax</b>                      | 5     | <b>(6,860)</b>                                   | <b>(15,637)</b>                | <b>(21,000)</b>                                | <b>(33,353)</b>                |
| Income tax credit                           | 6     | 394  | 271                            | 972  | 528                            |
| <b>Loss for the period</b>                  |       | <b>(6,466)</b>                                   | <b>(15,366)</b>                | <b>(20,028)</b>                                | <b>(32,825)</b>                |
| <b>Loss for the period attributable to:</b> |       |  |                                |  |                                |
| Equity holders of the Company               |       | (6,119)  | (15,237)                       | (18,906)                                       | (30,908)                       |
| Non-controlling interests                   |       | (347)  | (129)                          | (1,122)  | (1,917)                        |
|   |       | <b>(6,466)</b>                                   | <b>(15,366)</b>                | <b>(20,028)</b>                                | <b>(32,825)</b>                |



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

| Notes  | (Unaudited)<br>Three months ended<br>31 December |                                | (Unaudited)<br>Six months ended<br>31 December |                                |
|--|--|--------------------------------|--|--------------------------------|
|  | 2018<br>HK\$'000                                 | 2017<br>HK\$'000<br>(Restated) | 2018<br>HK\$'000                               | 2017<br>HK\$'000<br>(Restated) |
| <b>Other comprehensive loss for the period, net of tax:</b>                                |  |                                |  |                                |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                      |  |                                |  |                                |
| Exchange differences arising on translation of financial statements of overseas operations | (13)   | 893                            | (218)  | 1,782                          |
| <b>Total comprehensive loss for the period</b>   | <b>(6,479)</b>                                   | <b>(14,473)</b>                | <b>(20,246)</b>                                | <b>(31,043)</b>                |
| <b>Total comprehensive loss for the period attributable to:</b>                            |  |                                |  |                                |
| Equity holders of the Company  | (6,129)  | (14,463)                       | (19,001)                                       | (29,414)                       |
| Non-controlling interests  | (350)  | (10)                           | (1,245)  | (1,629)                        |
|  | <b>(6,479)</b>                                   | <b>(14,473)</b>                | <b>(20,246)</b>                                | <b>(31,043)</b>                |
| <b>Loss per share attributable to equity holders of the Company</b>                        |  |                                |  |                                |
| Basic  | <b>(HK0.19 cents)</b>                            | (HK0.46 cents)                 | <b>(HK0.57 cents)</b>                          | (HK0.94 cents)                 |
| Diluted  | <b>N/A</b>                                       | N/A                            | <b>N/A</b>                                     | N/A                            |

The accompanying notes on page 7 to 21 form an integral part of this interim financial report.



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

|   | Notes | (Unaudited)<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|---|-------|--|--|
| <b>Non-current assets</b>   |       |  |  |
| Property, plant and equipment                                       | 8     | 2,613  | 3,896                                    |
| Goodwill  |       | 124,284  | 124,284                                  |
| Intangible assets   |       | 15,717   | 20,631                                   |
| Interests in joint ventures   |       | —  | —  |
|   |       | <b>142,614</b>                                 | <b>148,811</b>                           |
| <b>Current assets</b>   |       |  |  |
| Inventories   |       | 272  | 468                                      |
| Trade and other receivables<br>and prepayments                      | 9     | 24,065   | 21,499                                   |
| Bank balances and cash  |       | 4,763  | 4,719                                    |
|   |       | <b>29,100</b>                                  | <b>26,686</b>                            |
| <b>Current liabilities</b>  |       |  |  |
| Trade payables, accruals<br>and other payables                      | 10    | 104,057  | 100,578                                  |
| Amount due to directors   |       | 51,983   | 39,781                                   |
| Obligation under finance<br>leases — current portion                | 11    | 198  | 194                                      |
| Convertible bonds   | 12    | 89,413   | 89,413                                   |
| Derivative financial liabilities                                    | 12    | 260  | 260                                      |
| Deferred tax liabilities  |       | 857  | —  |
| Tax liabilities   |       | 1,367  | 1,423                                    |
|   |       | <b>248,135</b>                                 | <b>231,649</b>                           |
| <b>Net current liabilities</b>                                      |       | <b>(219,035)</b>                               | <b>(204,963)</b>                         |
| <b>Total assets less current liabilities</b>                        |       | <b>(76,421)</b>                                | <b>(56,152)</b>                          |
| <b>Non-current liabilities</b>                                      |       |  |  |
| Obligation under finance leases                                     | 11    | 34   | 150                                      |
| Deferred tax liabilities  |       | 2,053  | 3,697                                    |
|   |       | <b>2,087</b>                                   | <b>3,847</b>                             |
| <b>Net liabilities</b>  |       | <b>(78,508)</b>                                | <b>(59,999)</b>                          |
| <b>Capital and reserves</b>   |       |  |  |
| Share capital   | 13    | 41,135   | 41,135                                   |
| Reserves  |       | (117,791)                                      | (100,527)                                |
| Capital deficiency attributable to<br>equity holders of the Company |       | (76,656)                                       | (59,392)                                 |
| Non-controlling interests   |       | (1,852)  | (607)                                    |
| <b>Total capital deficiency</b>                                     |       | <b>(78,508)</b>                                | <b>(59,999)</b>                          |

The accompanying notes on page 7 to 21 form an integral part of this interim financial report.

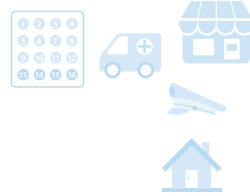


## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

|  | Attributable to equity holders of the Company |                           |  |   |                                  |                                 |                                       |                             |                             |   | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |                 |
|--|---|---------------------------|--|---|----------------------------------|---------------------------------|---------------------------------------|-----------------------------|-----------------------------|---|---------------------------------------|-------------------|-----------------|
|  | Share capital<br>HK\$'000                     | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Employee share-based compensation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Convertible bonds reserve<br>HK\$'000 | Special reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Retained profits/(Accumulated losses)<br>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)                              | (607)             | (59,999)        |
| Loss for the period  | —   | —                         | —                                      | —   | —                                | —                               | —                                     | —                           | —                           | (18,906)  | (18,906)                              | (1,122)           | (20,028)        |
| Exchange differences arising from translation of financial statements of overseas operations | —   | —                         | —                                      | —   | —                                | (95)                            | —                                     | —                           | —                           | —   | (95)                                  | (123)             | (218)           |
| Total comprehensive (loss)/income for the period   | —   | —                         | —                                      | —   | —                                | (95)                            | —                                     | —                           | —                           | (18,906)  | (19,001)                              | (1,245)           | (20,246)        |
| Amendments to the terms of convertible bonds   | —   | —                         | —                                      | —   | —                                | —                               | 343                                   | —                           | —                           | 1,737   | 2,080                                 | —                 | 2,080           |
| Deferred tax liabilities arising from amendments to the terms of convertible bonds           | —   | —                         | —                                      | —   | —                                | —                               | (343)                                 | —                           | —                           | —   | (343)                                 | —                 | (343)           |
| <b>At 31 December 2018 (unaudited)</b>   | <b>41,135</b>                                 | <b>2,480,372</b>          | <b>1,484</b>                           | <b>35,572</b>   | <b>—</b>                         | <b>5,039</b>                    | <b>—</b>                              | <b>(1)</b>                  | <b>10,184</b>               | <b>(2,650,441)</b>                                | <b>(76,656)</b>                       | <b>(1,852)</b>    | <b>(78,508)</b> |



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

For the six months ended 31 December 2017

|   | Attributable to equity holders of the Company |                              |  |  |  |                                    |   |                                |                                |   |                   | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|------------------------------|--|--|--|------------------------------------|---|--------------------------------|--------------------------------|---|-------------------|-------------------|--|-------------------|
|   | Share<br>capital<br>HK\$'000                  | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Convertible<br>bonds<br>reserve<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Retained<br>profits/<br>(Accumulated<br>losses)<br>HK\$'000 | Total<br>HK\$'000 |                   |  |                   |
| At 1 July 2017 (audited)  | 41,135  | 2,480,372                    | 1,484  | 35,572   | 1,547                                  | 5,543                              | 2,672                                       | (1)                            | 5,769                          | (2,574,739)   | (646)             | 11,239            | 10,593                                       |                   |
| Loss for the period   | —   | —                            | —  | —  | —                                      | —                                  | —   | —                              | —                              | (30,908)  | (30,908)          | (1,917)           | (32,825)                                     |                   |
| Exchange differences arising<br>from translation of financial<br>statements of overseas<br>operations | —   | —                            | —  | —  | —                                      | 1,494                              | —   | —                              | —                              | —   | 1,494             | 288               | 1,782  |                   |
| Total comprehensive<br>(loss)/income for the period   | —   | —                            | —  | —  | —                                      | 1,494                              | —   | —                              | —                              | (30,908)  | (29,414)          | (1,629)           | (31,043)                                     |                   |
| Amendments to the terms<br>of convertible bonds   | —   | —                            | —  | —  | —                                      | —                                  | 528   | —                              | —                              | 2,672   | 3,200             | —                 | 3,200  |                   |
| Deferred tax liabilities arising<br>from amendments to<br>the terms of convertible<br>bonds           | —   | —                            | —  | —  | —                                      | —                                  | (528)                                       | —                              | —                              | —   | (528)             | —                 | (528)  |                   |
| Recognition of equity-settled<br>share-based payments   | —   | —                            | —  | —  | 24                                     | —                                  | —   | —                              | —                              | —   | 24                | —                 | 24   |                   |
| Share options lapsed  | —   | —                            | —  | —  | (1,257)                                | —                                  | —   | —                              | —                              | 1,257   | —                 | —                 | —  |                   |
| Contributions from<br>non-controlling interests   | —   | —                            | —  | —  | —                                      | —                                  | —   | —                              | —                              | —   | —                 | (3,919)           | (3,919)                                      |                   |
| Disposal of interest in subsidiary  | —   | —                            | —  | —  | —                                      | —                                  | —   | —                              | 4,415                          | —   | 4,415             | (4,943)           | (528)  |                   |
| <b>At 31 December 2017<br/>(unaudited)</b>  | <b>41,135</b>                                 | <b>2,480,372</b>             | <b>1,484</b>                                 | <b>35,572</b>  | <b>314</b>                             | <b>7,037</b>                       | <b>2,672</b>                                | <b>(1)</b>                     | <b>10,184</b>                  | <b>(2,601,718)</b>  | <b>(22,949)</b>   | <b>748</b>        | <b>(22,201)</b>                              |                   |

The accompanying notes on page 7 to 21 form an integral part of this interim financial report.



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

|  | (Unaudited)<br>Six months ended<br>31 December |                  |
|--|--|------------------|
|  | 2018<br>HK\$'000                               | 2017<br>HK\$'000 |
| <b>Operating activities</b>  |  |                  |
| Cash used in operations  | (8,363)  | (19,025)         |
| Interest received  | 1  | 3                |
| Interest paid  | (3,590)  | (12)             |
| <b>Net cash used in operating activities</b>   | <b>(11,952)</b>                                | <b>(19,034)</b>  |
| <b>Investing activities</b>  |  |                  |
| Contribution from non-controlling interests<br>in a subsidiary                                       | —  | 105              |
| Additions in property, plant and equipment   | —  | (749)            |
| Proceed from disposal of property, plant<br>and equipment  | 3  | —                |
| <b>Net cash generated from/(used in)<br/>investing activities</b>                                    | <b>3</b>                                       | <b>(644)</b>     |
| <b>Financing activities</b>  |  |                  |
| Repayment of finance lease   | (113)  | (742)            |
| Advance from directors   | 12,201   | 13,503           |
| <b>Net cash flow generated from financing activities</b>   | <b>12,088</b>                                  | <b>12,761</b>    |
| <b>Net increase/(decrease) in cash<br/>and cash equivalents</b>                                      | <b>139</b>                                     | <b>(6,917)</b>   |
| <b>Cash and cash equivalents at the beginning<br/>of the period</b>                                  | <b>4,719</b>                                   | <b>14,302</b>    |
| Effects of foreign exchange rate changes   | (95)   | 2,385            |
| <b>Cash and cash equivalents at the end of the period,<br/>represented by cash and bank balances</b> | <b>4,763</b>                                   | <b>9,770</b>     |

The accompanying notes on page 7 to 21 form an integral part of this interim financial report.





# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2018 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 2018 are consistent with the financial statements of the Group 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.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 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 2018 (Unaudited)

|   | Lottery-related services<br>HK\$'000 | Internet plus solution services<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------------|---|--------------------|-------------------|
| <b>Segment revenue:</b>   |                                      |   |                    |                   |
| Sales to external customers   | 10,450                               | 1,567                                       | 358                | 12,375            |
| <b>Segment results</b>  | <b>(10,458)</b>                      | <b>236</b>                                  | <b>(338)</b>       | <b>(10,560)</b>   |
| Unallocated income  |                                      |   |                    | 224               |
| Unallocated expenses  |                                      |   |                    | (4,993)           |
| Finance costs   |                                      |   |                    | (5,671)           |
| Loss before tax   |                                      |   |                    | (21,000)          |
| Income tax credit   |                                      |   |                    | 972               |
| Loss for the period   |                                      |   |                    | (20,028)          |
| <b>Amounts included in the measure of segment profit or loss or segment assets:</b> |                                      |   |                    |                   |
| Depreciation and amortization   | 661                                  | 28  | 80                 | 769               |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

Six months ended 31 December 2017 (Unaudited)

|  | Lottery-<br>related<br>services<br>(Restated)<br>HK\$'000 | Internet plus<br>solution<br>services<br>(Restated)<br>HK\$'000 | Others<br>(Restated)<br>HK\$'000 | Total<br>(Restated)<br>HK\$'000 |
|--|---|---|----------------------------------|---------------------------------|
| Segment revenue:   |   |   |                                  |                                 |
| Sales to external<br>customers   | 10,294  | 1,089   | 1,482                            | 12,865                          |
| Segment results  | (22,783)  | (2,099)   | (1,040)                          | (25,922)                        |
| Unallocated income   |   |   |                                  | 2,453                           |
| Unallocated expenses   |   |   |                                  | (3,087)                         |
| Finance costs  |   |   |                                  | (6,797)                         |
| Loss before tax  |   |   |                                  | (33,353)                        |
| Income tax credit  |   |   |                                  | 528                             |
| Loss for the period  |   |   |                                  | (32,825)                        |
| Amounts included<br>in the measure of<br>segment profit<br>or loss<br>or segment assets: |   |   |                                  |                                 |
| Additions to property,<br>plant and equipment  | 325   | 424   | —                                | 749                             |
| Depreciation and<br>amortization   | 3,297   | 22  | 122                              | 3,441                           |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### (b) Segment assets and liabilities

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

#### As at 31 December 2018 (Unaudited)

|                         | Lottery-related services<br>HK\$'000 | Internet plus solution services<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------|--------------------------------------|---|--------------------|-------------------|
| <b>Assets</b>           |                                      |   |                    |                   |
| Segment assets          | 70,107                               | 87,693                                      | 2,055              | 159,855           |
| Unallocated assets      |                                      |   |                    | 11,859            |
| Total assets            |                                      |   |                    | 171,714           |
| <b>Liabilities</b>      |                                      |   |                    |                   |
| Segment liabilities     | 7,331                                | 68,919                                      | 46                 | 76,296            |
| Unallocated liabilities |                                      |   |                    | 173,926           |
| Total liabilities       |                                      |   |                    | 250,222           |

#### As at 30 June 2018 (Audited)

|                         | Lottery-related services<br>HK\$'000 | Internet plus solution services<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------|--------------------------------------|---|--------------------|-------------------|
| <b>Assets</b>           |                                      |   |                    |                   |
| Segment assets          | 80,527                               | 77,539                                      | 871                | 158,937           |
| Unallocated assets      |                                      |   |                    | 16,560            |
| Total assets            |                                      |   |                    | 175,497           |
| <b>Liabilities</b>      |                                      |   |                    |                   |
| Segment liabilities     | 9,083                                | 16,429                                      | 253                | 25,765            |
| Unallocated liabilities |                                      |   |                    | 209,731           |
| Total liabilities       |                                      |   |                    | 235,496           |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 3. REVENUE AND OTHER INCOME

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus solution services and (iii) others (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:

|                                       | <b>(Unaudited)</b><br><b>Six months ended</b><br><b>31 December</b> |                                |
|---------------------------------------|---|--------------------------------|
|                                       | <b>2018</b><br><b>HK\$'000</b>                                      | 2017<br>HK\$'000<br>(Restated) |
| Revenue                               |   |                                |
| Provision of lottery-related services | <b>10,450</b>   | 10,294                         |
| Internet plus solution services       | <b>1,567</b>  | 1,089                          |
| Others                                | <b>358</b>  | 1,482                          |
|                                       | <b>12,375</b>   | 12,865                         |
| Other income                          |   |                                |
| Interest income                       | <b>1</b>  | 3                              |
| Gain on disposal of subsidiaries      | <b>222</b>  | 2,159                          |
| Others                                | <b>37</b>   | 811                            |
|                                       | <b>260</b>  | 2,973                          |

### 4. FINANCE COSTS

|                         | <b>(Unaudited)</b><br><b>Six months ended</b><br><b>31 December</b> |                  |
|-------------------------|---|------------------|
|                         | <b>2018</b><br><b>HK\$'000</b>                                      | 2017<br>HK\$'000 |
| Interest on:            |   |                  |
| — Convertible bonds     | <b>5,666</b>  | 6,785            |
| — Finance lease payment | <b>5</b>  | 12               |
|                         | <b>5,671</b>  | 6,797            |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 5. LOSS BEFORE TAX

|   | (Unaudited)<br>Six months ended<br>31 December<br>2018<br>HK\$'000 | 2017<br>HK\$'000<br>(Restated) |
|---|--|--------------------------------|
| Loss before tax has been arrived at after charging: |  |                                |
| Cost of services                                    | 4,456  | 4,093                          |
| Equity-settled share-based payments                 | —  | 24                             |
| Depreciation of property, plant and equipment       | 1,148  | 2,737                          |
| Amortization of intangible assets                   | 4,685  | 1,450                          |
| Exchange losses, net                                | —  | 245                            |

### 6. INCOME TAX CREDIT

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

|   | (Unaudited)<br>Six months ended<br>31 December<br>2018<br>HK\$'000 | 2017<br>HK\$'000 |
|---|--|------------------|
| Under provision in the prior periods<br>— Hong Kong profits tax | (158)  | —                |
| Deferred tax  | 1,130  | 528              |
| Income tax credit for the period                                | 972  | 528              |

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 2018 (three months and six months ended 31 December 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 six months ended 31 December 2018

### 7. 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)<br>Three months ended<br>31 December |                  | (Unaudited)<br>Six months ended<br>31 December |                  |
|---|--|------------------|--|------------------|
|   | 2018<br>HK\$'000                                 | 2017<br>HK\$'000 | 2018<br>HK\$'000                               | 2017<br>HK\$'000 |
| Loss for the period attributable to the equity holders of the Company | <b>(6,119)</b>                                   | (15,237)         | <b>(18,906)</b>                                | (30,908)         |

#### Number of shares

|   | (Unaudited)<br>Three months ended<br>31 December |              | (Unaudited)<br>Six months ended<br>31 December |              |
|---|--|--------------|--|--------------|
|   | 2018<br>'000                                     | 2017<br>'000 | 2018<br>'000                                   | 2017<br>'000 |
| Weighted average number of ordinary shares for the purposes of basic loss per share   | <b>3,290,855</b>                                 | 3,290,855    | <b>3,290,855</b>                               | 3,290,855    |
| Weighted average number of ordinary shares for the purposes of diluted loss per share | <b>3,290,855</b>                                 | 3,290,855    | <b>3,290,855</b>                               | 3,290,855    |

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



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 8. PROPERTY, PLANT AND EQUIPMENT

|  | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Leasehold<br>improvement<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Computer<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|------------------------------------|--------------------------------------|-------------------------------|-----------------------------------|-------------------|
| Carrying amount at 1 July 2018,<br>net of accumulated depreciation (audited) | 379   | 91                                 | 582                                  | 1,112                         | 1,732                             | 3,896             |
| Depreciation provided for the period   | (261)   | —                                  | (57)                                 | (274)                         | (556)                             | (1,148)           |
| Elimination on disposals   | (4)   | —                                  | —                                    | —                             | (17)                              | (21)              |
| Exchange realignment   | (31)  | (4)                                | (22)                                 | 5                             | (62)                              | (114)             |
| <b>At 31 December 2018, net of<br/>accumulated depreciation (unaudited)</b>  | <b>83</b>   | <b>87</b>                          | <b>503</b>                           | <b>843</b>                    | <b>1,097</b>                      | <b>2,613</b>      |

### 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|   | (Unaudited)<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|---|--|--|
| Trade receivables                         | 76,254   | 76,920                                   |
| Other receivables and prepayments         | 40,137   | 43,532                                   |
|   | <b>116,391</b>                                 | 120,452                                  |
| Less: Allowances for doubtful receivables | (92,326)                                       | (98,953)                                 |
|   | <b>24,065</b>                                  | 21,499                                   |

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)<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|-----------------|--|--|
| 0 to 30 days    | 3,430  | 3,525                                    |
| 31 to 60 days   | 1,800  | 1,792                                    |
| 61 to 180 days  | 2,877  | 1,541                                    |
| 181 to 365 days | —  | 68                                       |
| Over 1 year     | 68,147   | 69,994                                   |
|                 | <b>76,254</b>                                  | 76,920                                   |





## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

|                             | <b>(Unaudited)</b><br><b>31 December</b><br><b>2018</b><br><b>HK\$'000</b> | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|-----------------------------|--|--|
| Trade payables              | <b>665</b>   | 250                                      |
| Accruals and other payables | <b>103,392</b>   | 100,328                                  |
|                             | <b>104,057</b>   | 100,578                                  |

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:

|              | <b>(Unaudited)</b><br><b>31 December</b><br><b>2018</b><br><b>HK\$'000</b> | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|--------------|--|--|
| 0-30 days    | —  | —  |
| 31-120 days  | <b>415</b>   | —  |
| 121-180 days | —  | —  |
| 181-365 days | —  | —  |
| Over 1 year  | <b>250</b>   | 250                                      |
|              | <b>665</b>   | 250                                      |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 11. OBLIGATION UNDER FINANCE LEASES

|  | Minimum lease payments                               |  | Present value of minimum lease payments              |  |
|--|--|--|--|--|
|  | (Unaudited)<br>At<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>At<br>30 June<br>2018<br>HK\$'000 | (Unaudited)<br>At<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>At<br>30 June<br>2018<br>HK\$'000 |
| Within one year  | 202  | 202  | 198  | 194  |
| In the second to fifth<br>year inclusive                               | 34   | 151  | 34   | 150  |
|  | 236  | 353  |  |  |
| Less: future finance charges   | (4)  | (9)  |  |  |
| Present value of lease<br>obligation                                   | 232  | 344  | 232  | 344  |
| Less: amount due within<br>one year shown under<br>current liabilities |  |  | (198)  | (194)  |
| Amount due after one year  |  |  | 34   | 150  |

### 12. CONVERTIBLE BONDS

|  | (Unaudited)<br>31 December<br>2018<br>HK\$000 | (Audited)<br>30 June<br>2018<br>HK\$000 |
|--|---|---|
| Convertible bonds:                       |   |   |
| — Liability component                    | 89,413  | 89,413                                  |
| — Derivative conversion option component | 260   | 260                                     |
| Classified under current liabilities:    |   |   |
| — Convertible bonds                      | 89,413  | 89,413                                  |
| — Derivative financial liabilities       | 260   | 260                                     |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

On 17 January 2014, the Company issued the 2% 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 a general working capital and repayment of borrowings. The Bonds are convertible into ordinary shares of the Company with a conversion price of HK\$2.39 per share. As a result of the share subdivision implemented on 17 December 2014, the number of the shares to be issued upon full conversion of the 2% Bonds was adjusted to 150,000,000 shares at the conversion price of HK\$0.598 per share.

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 entered into an amendment agreement with the bondholder to amend certain terms and conditions of 2% Bonds. The conversion price shall be the same to HK\$0.359 per share and it can be converted into for the maximum of 249,651,810 shares. The maturity date shall be extended to 17 July 2017 and a further six months extension to 17 January 2018 upon a written consent from the bondholder. The interest rate shall be 8% per annum and paid semi-annually from the date of the amendment agreement.

On 18 January 2018, the Company entered into a second amendment agreement with the bondholder, under which the maturity date of the bonds was extended to 17 July 2018 and interest is payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

On 17 July 2018, the Company obtained written consent from the bondholder, under which the maturity date of the 8% Bonds July 2018 was extended to 17 January 2019 with other terms and conditions remained unchanged.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarized as follows:

|     |                           |                |
|-----|---------------------------|----------------|
| (a) | Principal amount :        | HK\$89,625,000 |
| (b) | Coupon rate :             | 8% per annum   |
| (c) | Maturity date :           | 17 Jan 2019    |
| (d) | Conversion price :        | HK\$0.359      |
| (e) | Risk-free rate :          | 0.812%         |
| (f) | Expected volatility :     | 94.04%         |
| (g) | Expected dividend yield : | 0%             |



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 13. SHARE CAPITAL

|  | Number of<br>shares<br>'000 | Amount<br>HK\$'000 |
|--|-----------------------------|--------------------|
| Authorised:  |                             |                    |
| At 1 July 2018 and 31 December 2018,<br>ordinary shares of HK\$0.0125 each (unaudited) | 16,000,000                  | 200,000            |
| Issued and fully paid:   |                             |                    |
| At 1 July 2018 and 31 December 2018,<br>ordinary shares of HK\$0.0125 each (unaudited) | 3,290,855                   | 41,135             |

### 14. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

|                                       | (Unaudited)<br>31 December<br>2018<br>HK\$'000 | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|---------------------------------------|--|--|
| Within one year                       | 1,811  | 1,858                                    |
| In the second to fifth year inclusive | 426  | 184                                      |
|                                       | <b>2,237</b>                                   | <b>2,042</b>                             |

Operating lease payments represent rent payable by the Group for certain of its office properties.

Leases are negotiated for an average term of 1 to 5 years.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 15. CAPITAL COMMITMENTS

|  | <b>(Unaudited)</b><br><b>31 December</b><br><b>2018</b><br><b>HK\$'000</b> | (Audited)<br>30 June<br>2018<br>HK\$'000 |
|--|--|--|
| Capital contribution to joint ventures contracted but not provided for | <b>10,906</b>  | 11,144                                   |

### 16. RELATED PARTY TRANSACTIONS

#### Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the three and six months ended 31 December 2018 was as follows:

|                          | <b>(Unaudited)</b><br><b>Three months ended</b><br><b>31 December</b> |                  | <b>(Unaudited)</b><br><b>Six months ended</b><br><b>31 December</b> |                  |
|--------------------------|---|------------------|---|------------------|
|                          | <b>2018</b><br><b>HK\$'000</b>  | 2017<br>HK\$'000 | <b>2018</b><br><b>HK\$'000</b>                                      | 2017<br>HK\$'000 |
| Short-term benefits      | <b>4,050</b>  | 4,046            | <b>8,168</b>  | 8,182            |
| Post-employment benefits | <b>17</b>   | 27               | <b>33</b>   | 54               |
|                          | <b>4,067</b>  | 4,073            | <b>8,201</b>  | 8,236            |

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

#### Balances with related parties

As at 31 December 2018, amounts due to directors of approximately HK\$51,983,000 (30 June 2018: approximately HK\$39,781,000) are unsecured, interest free and have no fixed repayment term.

As at 31 December 2018, amounts due from related companies of approximately HK\$2,791,000 (30 June 2018: approximately HK\$2,791,000). The amounts are unsecured, interest free and have no fixed repayment terms.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### 17. EVENTS AFTER THE REPORTING PERIOD

#### Proposed acquisition of the target company involving the issue of consideration shares under specific mandate

On 4 January 2019, China Vanguard Corporate Management Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, and Sinopharm Traditional Chinese Medicine Overseas Holdings Limited as the vendor (the “**Vendor**”) entered into the sale and purchase agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the sale shares, which represents 100% of the equity interest in Hero Global Holdings Limited (the “**Target Company**”), for a consideration of HK\$139.10 million, which will be settled by the allotment and issue of 650,000,000 ordinary shares of HK\$0.0125 each in the share capital of the Company (the “**Consideration Share(s)**”) by the Company to the Vendor under the specific mandate at the issue price of HK\$0.214 per Consideration Share.

As at 4 January 2019, the Target Company is wholly-owned by the Vendor. Upon completion of the acquisition, the Target Company will be legally and beneficially owned as to 100% by the Group and hence, it will become a wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the consolidated financial statements of the Group.

The acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. The Consideration Shares will be allotted and issued pursuant to the specific mandate. The extraordinary general meeting will be convened for the shareholders of the Company to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

#### Placing of new shares under general mandate

On 7 January 2019, the placing agent and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 168,000,000 ordinary shares (the “**Placing Share(s)**”) at the placing price of HK\$0.238 per Placing Share to not less than six placees, who and whose beneficial owners shall be independent third parties (the “**Placing**”). The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2018.

The closing price per ordinary share of the Company as quoted on the Stock Exchange on 7 January 2019, being the date of the placing agreement was HK\$0.260. The net price per Placing Share after deduction of the Placing commission and other related expenses was approximately HK\$0.235.

The completion of the Placing took place on 22 January 2019. A total of 168,000,000 Placing Shares have been successfully placed by the placing agent to one placee, namely Mr. TSE Siu Hoi at the placing price of HK\$0.238 per Placing Share pursuant to the terms and conditions of the placing agreement. The Company received net proceeds of approximately HK\$39.5 million from the Placing and intends to utilise for general working capital of the Group.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

### Proposed amendments to the terms of the Convertible Bonds

On 17 January 2019, the Company entered into the third amendment agreement with the bondholder, pursuant to which both parties agreed to amend the terms of the Convertible Bonds maturing on 17 January 2019, where the maturity date shall be extended for six months from 17 January 2019 to 17 July 2019 with a further six months extension upon a prior written consent from the bondholder.

The third 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The principal activities of the Group are provision of (i) lottery-related services; (ii) internet plus solution services and (iii) others (including catering services, consulting services).

For Period 2018, the Group recorded unaudited consolidated revenue of HK\$12.4 million, slightly decreased by 3.9% against Period 2017 of HK\$12.9 million. Revenue decreased as the result of a decline in sales of lottery related business. The gross profit ratio decreased to about 64.0% as compared with 68.2% for Period 2017.

For Period 2018, the Group recorded a net loss attributable to the equity holders of HK\$18.9 million, decreased 38.8% from HK\$30.9 million for Period 2017. Loss attributable to equity holders was HK\$6.1 million from the second quarter of Period 2018, decreased by 59.9% from HK\$15.2 million for Period 2017. Selling and distribution expenses and administrative expenses in Period 2018 amounted to HK\$23.5 million, decreased 38.6% as compared to HK\$38.3 million in Period 2017.

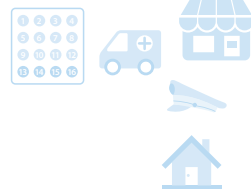
## BUSINESS REVIEW

During the review period, the “Internet Plus” business of the Group was rapidly expanding into the “Internet Plus Health” area on the basis of the business that it had been applied to such as government affairs, leasing and public security, and a significant breakthrough had been made. After the review period, the Group entered into a sale and purchase agreement with Sinopharm Traditional Chinese Medicine Overseas Holdings Limited (“**Sinopharm Overseas**”), a wholly-owned subsidiary of Sinopharm Traditional Chinese Medicine Co. Ltd. (“**Sino-TCM**”), in relating to the acquisition of 70% equity interest in Sinopharm Health Cross Border E-Commerce Company Limited (“**Sinopharm E-Commerce**”). Upon completion of the acquisition, Sinopharm Overseas (and accordingly Sino-TCM) will become a strategic investor and major shareholder of the Group.

### “Internet Plus Healthcare”

During the review period, the Group continued to deepen its cooperation with Sino-TCM, a leading enterprise in the comprehensive healthcare as well as in pharmaceutical industry in China. Sinopharm E-Commerce, the joint venture company of both parties, entered into a Management Service Agreement with Sino-TCM on 12 November 2018. As a joint venture company, Sinopharm E-Commerce has brought together the technological advantages of the Group and the vast resources of Sino-TCM, and it is the aim of both parties to develop Sinopharm E-Commerce into a company that can apply emerging technologies such as ‘Internet Plus’ and Big Data into comprehensive healthcare industry. Sinopharm E-Commerce shall provide business management and consulting services for Sino-TCM, assisting Sino-TCM on its strategy of developing comprehensive healthcare industry business chain by using latest technology to build a one-stop comprehensive smart healthcare technology platform (“**Comprehensive Healthcare Platform**”). According to the Management Service Agreement, Sino-TCM shall pay an annual service fee of RMB28,000,000 to Sinopharm E-Commerce during the three-year’s term.





## MANAGEMENT DISCUSSION AND ANALYSIS

The Comprehensive Healthcare Platform built by Sinopharm E-Commerce for Sino-TCM based on “Internet Plus” technologies is a one-stop smart healthcare platform combining both online and offline functions. Through the Comprehensive Healthcare Platform, Sinopharm E-Commerce will assist Sino-TCM to provide products and services to users through “Internet Plus” technologies, and to collect data by utilizing the advantage of the platform of covering both online and offline for the purpose of internal control and decision making. The Comprehensive Healthcare Platform’s functions will be as follows:

- (i) using artificial intelligence and big data technology to integrate, among others, information traditional Chinese doctors, common diseases and traditional Chinese medicines to conduct statistical analysis and management, and together with computer model, big data and machine learning to assist doctors to learn about patients’ conditions so as to reduce misdiagnosis and improve healthcare quality to achieve the purpose of assisting online medical diagnosis;
- (ii) through analysing large volumes of health records and results of diagnosis to provide indications for people, and provide suggestions for disease prevention and recommendations on relevant drugs and supplements as well as home delivery as part of its Online-to-Offline services;
- (iii) analysing data such as consumers’ spending behaviors, membership information, drug procurement activities and health indicators obtained through the interactive marketing technology to conduct big data analysis and modelling, so as to achieve precision management, services and marketing in respect of healthcare products to users and provide precision healthcare solutions;
- (iv) as for pharmaceuticals and quality control of products, building a digitalised and intelligentised tracking and tracing function based on various monitorings and sensors technologies ,covering from the source of raw materials, production process, distribution of the herb plantation and manufacture products and to the sales to customers;
- (v) utilizing the Internet of things technology to identify, locate, track, monitor and manage the distribution of pharmaceuticals.

The aforesaid functions will assist Sino-TCM comprehensive healthcare platform to provide services via offline channel and promote trackable and traceable high quality products to online users, helping users to get and keep healthy by customised medical diagnosis solutions and medication guidance and creating a matured health community ecosystem of users and service providers.

Apart from online business of the “Internet Plus Health”, the offline business is also an integral part of the Group’s business model. Based on the cooperation with Lung Fung Pharmaceutical (Group) Limited, the Group is proactively seeking for more business opportunities in the offline segment.



## MANAGEMENT DISCUSSION AND ANALYSIS

### “Internet Plus Government Affairs”

During the review period, the Group further deepened its cooperation with Housing and Construction Bureau of Shenzhen Municipality\* (深圳市住房和建設局) (the “**Bureau**”) after assisting the information center which affiliated with the Bureau in building a matrix management solution for content management and information dissemination for the Bureau and its affiliated units’ WeChat official accounts in 2017. In October 2018, with its technological advantages in “Internet Plus”, the Group conducted in-depth business cooperation with the Bureau to build an intelligent office system as a unified and efficient work platform with information intercommunication and traceability functions for Shenzhen Construction Technology Commission\* (深圳市建設科技委) of Shenzhen Construction Technology Promotion Center\* (深圳市建設科技促進中心) by applying the “Internet Plus Big Data” technology. This also represents the further expansion of the Group’s “Internet Plus” solutions to the internal office management applications of organizations.

### “Internet Plus Lease”

During the review period, the Group officially signed the project development service agreement for Shenzhen Lease Service Supervisory Platform (“**Shenzhen Lease Platform**”) with Tencent Cloud on 14 September 2018, pursuant to which 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. With the gradual advance of the leasing industry reform, the business model of Shenzhen Lease Platform is expected to bring in substantial revenue to the Group. Currently, Shenzhen Lease Platform has been launched and put into operation.

### “Internet Plus Public Security”

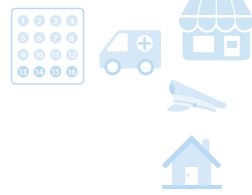
The Group provided the “Internet Plus” solution for the livelihood policing projects of the Public Security Bureau of Shenzhen Municipality and both parties have signed the software development and project management service agreement for the livelihood policing projects of Public Security Bureau of Shenzhen Municipality (“**SZ Police**”). 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 management, enhance efficiency and reduce the management costs. Currently, the solution has been launched and put into operation.

### “Lottery Business”

In addition to the “Internet Plus” business, the Group has been continually providing the leading hardware and software solutions to the lottery industry in a number of provinces and cities in the PRC.

### “Entering into the Sale and Purchase Agreement”

Subsequent to the review period and on 4 January 2019, a wholly-owned subsidiary of the Group as the Purchaser and Sinopharm Overseas as the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser intended to acquire the 100% equity interest of Hero Global Holdings Limited (英雄環球控股有限公司) ( the “**Target Company**”) held by the Vendor at a consideration of HK\$139.10 million, and the Target Company held 70% of the equity interest in Sinopharm Health. The Purchaser allotted and issued 650,000,000 new shares as the consideration (“**Consideration Shares**”) to the Vendor at the issue price of HK\$0.214 per share.



## MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the profit guarantee terms under the Sale and Purchase Agreement, Sinopgarm Overseas warranted to the Purchaser that (i) the actual net profit after taxation of the Target Company (“**Net Profit**”) for each of the three years ending 31 December 2019, 2020 and 2021 shall not be less than HK\$23,000,000, HK\$23,000,000 and HK\$23,000,000, respectively; or (ii) the aggregate Net Profit of the Target Company for the three years ending 31 December 2019, 2020 and 2021 shall not be less than HK\$69,000,000 in total (“**Guaranteed Profit**”). If the aggregate Net Profit of the Target Company for the three years ending 31 December 2019, 2020 and 2021 is less than the Guaranteed Profit, Sinopharm Overseas shall compensate the Purchaser the shortfall multiplied by a compensation factor of 1.7 in cash. The Vendor shall settle the compensation amount, if any, within 30 business days following the issue of written confirmation in respect of the shortfall by the Purchaser before 30 June 2022 with reference to the respective Net Profits for each of the three years as mentioned above.

The Consideration Shares, upon the allotment and issue, will be subject to lock-up arrangement and held by the Purchaser in accordance with the terms of the Sale and Purchase Agreement. The Consideration Shares shall be released from the lock-up arrangement upon satisfaction of the Guaranteed Profit by the Target Company. For the avoidance of doubt, the lock-up period of the Consideration Shares shall not be less than three years since the allotment and issue thereof. In the event that the aggregate Net Profit does not meet the Guaranteed Profit, the Consideration Shares will be released from the lock-up arrangement only after the cash compensation is made by Sinopharm Overseas to the Purchaser in accordance with the Sale and Purchase Agreement.

### “Completion of Placing of New Shares under General Mandate”

Subsequent to this review period, the Group has completed the placing a total of 168,000,000 new shares at the placing price of HK\$0.238 per Share under the general mandate on January 22, 2019.

## BUSINESS OUTLOOK

Sinopharm Overseas (and accordingly Sino-TCM, its sole shareholder) will become a strategic investor and substantial shareholder of the Group upon the completion of acquisition of Sinopharm E-Commerce by the Group, thereby further strengthening the business relationship between Sino-TCM and the Group, and solidifying the foundation of the Group’s “Internet Plus Health” business. The Board believed that entering into the Sale and Purchase Agreement would unleash the potential of the Group’s “Internet Plus Health” business. Assistance to establish the comprehensive healthcare platform would continually bring new business opportunities to the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

In addition to accelerated development in “Internet Plus Health” business, the Group has also made progress in other “Internet Plus” businesses and the revenue has begun to be realized. While deepening the cooperation with Sino-TCM, the Group has also focused on jointly developing and materializing more business cooperation with leading players from various industries such as Tencent Cloud. In addition, the Group has expanded its business coverage 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 a presence 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 six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

### FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, total capital deficiency amounted to HK\$79 million (total capital deficiency as at 30 June 2018: HK\$60 million). Current assets amounted to HK\$29 million (30 June 2018: HK\$27 million), mainly comprising of trade and other receivables and prepayments, bank balances and cash. Current liabilities amount to HK\$250 million (30 June 2018: HK\$232 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\$5 million (30 June 2018: HK\$5 million).

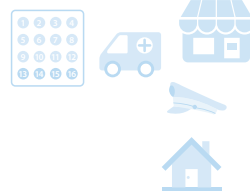
As at 31 December 2018, the gearing ratio of the Group was 52% (30 June 2018: 51%) on the basis of the Group’s total interest-bearing borrowings divided by total assets.

### SHARE CAPITAL

As at 31 December 2018, the total number of issued share of the Company was 3,290,855,068 ordinary shares of HK\$0.0125 each (the “**Shares(s)**”).

### CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at an annual rate of 2% per annum as general working capital and for the repayment of borrowings (the “**Convertible Bonds**”). A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Convertible Bonds at the conversion price of HK\$2.390 per share into fully-paid ordinary shares of the Company. As a result of share subdivision on 17 December 2014, the number of Shares falling to be issued upon full conversion of the Convertible Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598 per Share.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend some principal terms of the Convertible Bonds. The maturity date of the Convertible Bonds was extended for six months from 17 January 2017 to 17 July 2017, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2018. The Company received a written consent from the bondholder, of which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2018. Its conversion price was amended from HK\$0.598 to HK\$0.359 per conversion Share, which can be converted into the maximum number of 249,651,810 Shares. The interest rate of the Convertible Bonds shall be increased to 8% per annum and paid semiannually (the “**Amendments**”). Save for the adjustment, all other terms and conditions of the Convertible Bonds shall remain unchanged. The Amendments had been passed as an ordinary resolution by the shareholders at the extraordinary general meeting held on 29 March 2017 by the Company.

On 18 January 2018, the Company entered into the second amendment agreement with the bondholder, pursuant to which both parties agreed to amend the terms of the Convertible Bonds maturing on 17 January 2018, where the maturity date shall be extended for six months from 17 January 2018 to 17 July 2018 with a further six months extension upon a prior written consent from the bondholder. The Company received a written consent from the bondholder, of which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2019.

On 17 January 2019, the Company entered into the third amendment agreement with the bondholder, pursuant to which both parties agreed to amend the terms of the Convertible Bonds maturing on 17 January 2019, where the maturity date shall be extended for six months from 17 January 2019 to 17 July 2019 with a further six months extension upon a prior written consent from the bondholder.

As at 31 December 2018, no Convertible Bonds were converted into Shares by the bondholders or redeemed by the Company.

### CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Company has no contingent liabilities as at 31 December 2018 (30 June 2018: Nil).

No assets of the Group was pledged as securities to any third parties as at 31 December 2018 (30 June 2018: Nil).

### COMMITMENTS

The Group had capital commitments of HK\$11 million and operating lease commitments as lessee of HK\$2 million from operations as at 31 December 2018 (30 June 2018: capital commitments of HK\$11 million and operating lease commitments of HK\$2 million respectively).

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the reporting period, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies.



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 89 (30 June 2018: 118) employees.

Employees' remunerations are determined with reference to their performance, qualifications, experience, positions and the current trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employee based on performance evaluation in order to provide incentives and rewards.

### FOREIGN EXCHANGE EXPOSURE

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars ("HK\$"), Renminbi ("RMB") or United States dollars ("US\$"). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, HK\$ and US\$ borrowings. As the exchange rate of RMB against HK\$ is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US\$ and HK\$ exchange rate movement.

### EVENT AFTER THE REPORTING PERIOD

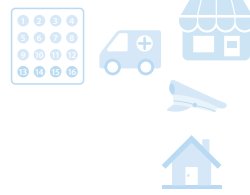
#### Proposed acquisition of the target company involving the issue of consideration shares under specific mandate

On 4 January 2019, China Vanguard Corporate Management Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and Sinopharm Traditional Chinese Medicine Overseas Holdings Limited as the vendor (the "**Vendor**") entered into the sale and purchase agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the sale shares, which represents 100% of the equity interest in Hero Global Holdings Limited (the "**Target Company**"), for a consideration of HK\$139.10 million, which will be settled by the allotment and issue of 650,000,000 ordinary shares of HK\$0.0125 each in the share capital of the Company (the "**Consideration Share(s)**") by the Company to the Vendor under the specific mandate at the issue price of HK\$0.214 per Consideration Share.

As at 4 January 2019, the Target Company is wholly-owned by the Vendor. Upon completion of the acquisition, the Target Company will be legally and beneficially owned as to 100% by the Group and hence, it will become a wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the consolidated financial statements of the Group.

The acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. The Consideration Shares will be allotted and issued pursuant to the specific mandate. The extraordinary general meeting will be convened for the shareholders of the Company to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

Details of the above transaction were published in the Company's announcements dated 4 January 2019 and 25 January 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Placing of new shares under general mandate

On 7 January 2019, the placing agent and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 168,000,000 placing Shares (the “**Placing Share(s)**”) at the placing price of HK\$0.238 per Placing Share to not less than six placees, who and whose beneficial owners shall be independent third parties (the “**Placing**”). The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2018.

The closing price per Share as quoted on the Stock Exchange on 7 January 2019, being the date of the placing agreement was HK\$0.260. The net price per Placing Share after deduction of the Placing commission and other related expenses was approximately HK\$0.235.

The completion of the Placing took place on 22 January 2019. A total of 168,000,000 Placing Shares have been successfully placed by the placing agent to one placee, namely Mr. TSE Siu Hoi at the placing price of HK\$0.238 per Placing Share pursuant to the terms and conditions of the placing agreement. The Company received net proceeds of approximately HK\$39.5 million from the Placing and intends to utilise for general working capital of the Group.

Details of the above transaction were published in the Company’s announcements dated 7 January 2019, 14 January 2019 and 22 January 2019.

### Proposed amendments to the terms of the Convertible Bonds

On 17 January 2019, the Company entered into the third amendment agreement with the bondholder, pursuant to which both parties agreed to amend the terms of the Convertible Bonds maturing on 17 January 2019, where the maturity date shall be extended for six months from 17 January 2019 to 17 July 2019 with a further six months extension upon a prior written consent from the bondholder.

The third 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 above transaction were published in the Company’s announcement dated 17 January 2019.



## 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 December 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:

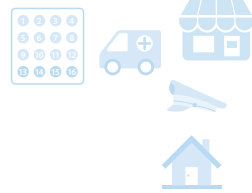
#### Long Positions in the Shares of the Company or Any of Its Associated Corporation

| Name of Directors                                   | The Company/<br>Name of<br>Associated<br>Corporation                | Number of Shares Held                    |                      |                    |                   | Approximate<br>Percentage of<br>Shareholding |
|---|---|--|----------------------|--------------------|-------------------|--|
|   |   | Interest in<br>Controlled<br>Corporation | Personal<br>Interest | Family<br>Interest | Total<br>Interest |  |
| Madam CHEUNG Kwai Lan<br>("Madam CHEUNG")<br>(Note) | The Company   | 675,565,856                              | 4,656,000            | 3,020,000          | 683,241,856       | 20.76%                                       |
| Mr. CHAN Tung Mei<br>("Mr. CHAN")<br>(Note)         | The Company   | —  | 3,020,000            | 680,221,856        | 683,241,856       | 20.76%                                       |
| Madam CHEUNG  | Best Frontier<br>Investments Limited<br>("Best Frontier")<br>(Note) | —  | 909                  | 1                  | 910               | —  |
| Mr. CHAN  | Best Frontier   | —  | 1                    | 909                | 910               | —  |
| Mr. YANG Qing Cai                                   | The Company   | —  | 475,000              | —                  | 475,000           | 0.01%  |

Note:

675,565,856 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 December 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 six months ended 31 December 2018.



## GENERAL INFORMATION

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

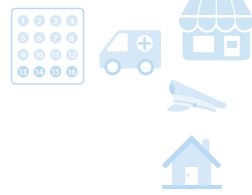
As at 31 December 2018, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, 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   | 683,241,856                  | 20.76%                                     |
| Integrated Asset Management (Asia) Limited (" <b>Integrated Asset</b> ") & its concert parties ( <i>Note 2</i> ) | Beneficial Owner   | 455,633,000                  | 13.85%                                     |
| GAM Hong Kong Limited  | Investment Manager | 195,070,000                  | 5.93%                                      |

#### Notes:

- 675,565,856 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.
- 455,633,000 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.



## GENERAL INFORMATION

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 21.43% of the current issued Share capital of the Company and approximately 19.92% of the enlarged issued Share capital of the Company.

Save as disclosed above, as at 31 December 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.

## CONNECTED TRANSACTION

On 17 January 2019, the Company and Integrated Asset, as the bondholder, entered into the third amendment agreement in respect of the proposed amendment of the CBs. As Integrated Asset 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 third amendment agreement constitutes a connected transaction of the Company pursuant to the GEM Listing Rules. The third 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 CBs.

Details of the proposed amendments have been disclosed in the announcement of the Company dated 17 January 2019.



## GENERAL INFORMATION

### 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.

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

| Name/Category of Participants      | Grant Date | Exercise Price | Exercisable Period      | Number of Share Options |          |           |           |          | As at 31 December 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             |
|                                    |            |                | <b>Total</b>            | <b>20,000,000</b>       | <b>—</b> | <b>—</b>  | <b>—</b>  | <b>—</b> | <b>20,000,000</b>      |

Note:

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

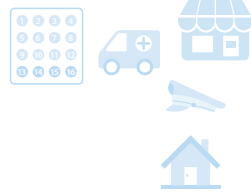
During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

### COMPETING INTERESTS

As at 31 December 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.



## GENERAL INFORMATION

### UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors are set out below:

Monthly remuneration of Mr. Chan Tung Mei, a non-executive Director, has been adjusted from HK\$40,000 to HK\$60,000 (salary of HK\$50,000 and director's fee of HK\$10,000 per month inclusive) with effect from 1 October 2018.

### 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 six months ended 31 December 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 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 six months ended 31 December 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.



## GENERAL INFORMATION

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 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 February 2019

*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.*