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

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the year ended 30 June 2018 ("**Year 2018**"), together with the comparative audited figures for the preceding financial year ("**Year 2017**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	**Year ended 30-6-2018** ***HK$'000***	Year ended 30-6-2017 *HK$'000* (Restated)
Revenue	*5*	**25,347**	26,359
Cost of services		**(9,642)**	(12,913)
Gross profit		**15,705**	13,446
Other income and gains	*6*	**13,951**	3,954
Provision for doubtful receivables		**(8,797)**	(43,127)
Impairment loss on assets	*7*	–	(53,776)
Selling and distribution expenses		**(1,409)**	(6,837)
Administrative and operating expenses		**(80,268)**	(84,388)
Finance costs	*8*	**(12,581)**	(13,316)
Share of results of joint ventures		–	(31)
Loss before tax	*9*	**(73,399)**	(184,075)
Income tax credit	*10*	**1,814**	2,835
Loss for the year		**(71,585)**	(181,240)
Loss for the year attributable to:			
Equity holders of the Company		**(61,034)**	(175,027)
Non-controlling interests		**(10,551)**	(6,213)
		(71,585)	(181,240)

	Notes	Year ended 30-6-2018 HK$'000	Year ended 30-6-2017 HK$'000 (Restated)
Loss for the year		**(71,585)**	(181,240)
Other comprehensive expenses for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas operations		**(87)**	(1,192)
Total comprehensive expenses for the year		**(71,672)**	(182,432)
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		**(61,443)**	(176,006)
Non-controlling interests		**(10,229)**	(6,426)
		(71,672)	(182,432)

	Notes	**Year ended 30-6-2018**	Year ended 30-6-2017
Loss per share attributable to equity holders of the Company	*12*		
Basic		**(HK1.85 cents)**	(HK5.40 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30-6-2018 HK$'000	30-6-2017 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**3,896**	13,260
Goodwill		**124,284**	62,746
Intangible assets		**20,631**	8,509
Available-for-sale financial assets		**–**	–
Interests in joint ventures		**–**	–
		148,811	84,515
Current assets			
Inventories		**468**	1,692
Trade receivables	*13*	**7,900**	15,362
Other receivables, deposits and prepayments	*14*	**13,599**	18,192
Bank balances and cash		**4,719**	14,302
		26,686	49,548
Current liabilities			
Trade payables	*15*	**250**	1,106
Accruals and other payables	*16*	**100,328**	16,019
Amounts due to directors		**39,781**	15,076
Obligations under finance leases			
– current portion		**194**	188
Convertible bonds	*17*	**89,413**	89,301
Derivative financial liabilities	*17*	**260**	–
Tax liabilities		**1,423**	1,382
Deferred tax liabilities		**–**	54
		231,649	123,126
Net current liabilities		**(204,963)**	(73,578)
Total assets less current liabilities		**(56,152)**	10,937

	Notes	**30-6-2018**	30-6-2017
		HK$'000	*HK$'000*
			(Restated)
Non-current liabilities			
Obligations under finance leases		**150**	344
Deferred tax liabilities		**3,697**	–
		3,847	344
Net (liabilities)/assets		**(59,999)**	10,593
Capital and reserves			
Share capital		**41,135**	41,135
Reserves		**(100,527)**	(41,781)
Capital deficiency attributable to equity holders of the Company		**(59,392)**	(646)
Non-controlling interests		**(607)**	11,239
(Total capital deficiency)/total equity		**(59,999)**	10,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL

China Vanguard You Champion Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business is located at Units 307-313, 3/F., Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The Company changed its English name from China Vanguard Group Limited to China Vanguard You Champion Holdings Limited and its dual foreign name in Chinese from 眾彩科技有限公司 to 眾彩羽翔股份有很公司 with effect from 25 August 2017.

The principal activities of the Company is investment holding. The activities of its principal subsidiaries and joint ventures are provision of (i) lottery-related services, (ii) internet plus solution services and (iii) other services (including catering services and consulting services).

In prior years, the Company's functional currency was Hong Kong dollar ("HK$"). Due to the continuing expansion of the Group's business operations in the People's Republic of China ("PRC"), the directors have determined that the functional currency of the Company be changed from HK$ to Renminbi ("RMB") during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group.

The consolidated financial statements are presented in HK$ as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in the light of the fact that the Group's net current liabilities and capital deficiency of HK$204,963,000 and HK$59,999,000 respectively at 30 June 2018. As at 30 June 2018, the Group had convertible bonds with principal amounts of HK$89,625,000 (carrying amounts of HK$89,413,000) to be matured within one year after that date, convertible bond's interest payables of HK$6,832,000 (included in accruals and other payables) and consideration payables of HK$65,000,000 (included in accruals and other payables), which are included in current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group subsequent to the end of the reporting period, as detailed below:

(a) The shareholders and directors of the Company, Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the director of the Company, Mr. Chan Ting, have agreed to provide shareholder's loans, if required, to the extent of HK$75 million to enable the Group to meet its financial obligations within the next 18 months from the date of the consolidated financial statements.

(b) On 3 September 2018, the Group obtained a written consent from the previous owner of the subsidiaries, under which the due date for payment of the consideration payable to the acquisition of the subsidiaries amounted to HK$65,000,000, which are included in accruals and other payables (Note 16), was extended to March 2020.

(c) The holder of the convertible bonds (Note 17) intend to extend the maturity date upon the expiration of the maturity date of 17 January 2019 and not to request repayment of the bonds before 17 January 2020.

(d) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the operations and development of the Group's business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the carrying amounts of the Group's assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective date to be determined

4. SEGMENT INFORMATION

The factors that used to identify the Group's operating segments, including the basis of organization, are mainly based on the services provided by the Group's operating divisions as follows:

(a) Provision of lottery-related services

(b) Provision of internet plus solution services

(c) Others services, including catering services and consulting services

For the purposes of monitoring segment performances and allocating resources between segments, all assets and liabilities are allocated to operating segments other than the corporate assets and liabilities.

Information regarding the above segments is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

Year ended 30-6-2018

	Lottery-related services *HK$'000*	**Internet plus solution services** *HK$'000*	**Other services** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Reportable segment revenue	**21,874**	**1,443**	**2,770**	**26,087**
Elimination of inter-segment revenue	**–**	**–**	**(740)**	**(740)**
Sales to external customers	**21,874**	**1,443**	**2,030**	**25,347**
Segment loss	**(14,152)**	**(6,861)**	**(1,562)**	**(22,575)**
Unallocated income				**13,283**
Unallocated expenses				**(51,526)**
Finance costs				**(12,581)**
Share of results of joint ventures				**–**
Loss before tax				**(73,399)**
Income tax credit				**1,814**
Loss for the year				**(71,585)**

Year ended 30-6-2017

	Lottery-related services *HK$'000* (restated)	Internet plus solution services *HK$'000* (restated)	Other services *HK$'000* (restated)	Total *HK$'000* (restated)
Segment revenue:				
Reportable segment revenue	21,904	–	4,455	26,359
Elimination of inter-segment revenue	–	–	–	–
Sales to external customers	21,904	–	4,455	26,359
Segment loss	(88,682)	–	(376)	(89,058)
Unallocated income				1,313
Unallocated expenses				(82,983)
Finance costs				(13,316)
Share of results of joint ventures				(31)
Loss before tax				(184,075)
Income tax credit				2,835
Loss for the year				(181,240)

(b) Segment assets and liabilities

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

30-6-2018

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

30-6-2017

	Lottery-related services *HK$'000* (restated)	Internet plus solution services *HK$'000* (restated)	Other services *HK$'000* (restated)	Total *HK$'000* (restated)
Assets				
Segment assets	117,633	–	1,831	119,464
Unallocated assets				14,599
Total assets				134,063
Liabilities				
Segment liabilities	12,884	–	1,423	14,307
Unallocated liabilities				109,163
Total liabilities				123,470

(c) Other segment information

Year ended 30-6-2018

	Lottery-related services *HK$'000*	Internet plus solution services *HK$'000*	Other services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	**322**	**99**	**35**	**456**
Depreciation of property, plant and equipment	**4,317**	**71**	**505**	**4,893**
Impairment loss on goodwill	–	–	–	–
Impairment loss on intangible assets	–	–	–	–
Loss on disposal of property, plant and equipment	**816**	–	–	**816**
Provision for doubtful receivables:				
– trade receivables	–	–	–	–
– other receivables	**8,436**	–	–	**8,436**
– deposits paid	**361**	–	–	**361**
Write off of:				
– property, plant and equipment	**1,907**	–	–	**1,907**
– trade receivables	**138**	–	–	**138**
– other receivables	**940**	–	–	**940**
– deposits paid	**1,139**	–	–	**1,139**
– inventories	**683**	–	–	**683**
– amount due from a related company	**29**	–	–	**29**
Impairment loss on interests in joint ventures	–	–	–	–
Amortisation of intangible assets	**2,960**	**4,929**	–	**7,889**

Year ended 30-6-2017

	Lottery-related services *HK$'000*	Internet plus solution services *HK$'000*	Other services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	5,117	–	293	5,410
Depreciation of property, plant and equipment	5,440	–	419	5,859
Impairment loss on goodwill	36,542	–	–	36,542
Impairment loss on intangible assets	2,307	–	–	2,307
Loss on disposal of property, plant and equipment	863	–	–	863
Provision for doubtful receivables:				
– trade receivables	27,156	–	–	27,156
– other receivables	4,520	–	–	4,520
– deposits paid	–	–	–	–
Write off of:				
– property, plant and equipment	–	–	–	–
– trade receivables	–	–	–	–
– other receivables	–	–	–	–
– deposits paid	–	–	–	–
– inventories	601	–	–	601
– amount due from a related company	1,671	–	–	1,671
Impairment loss on interests in joint ventures	14,927	–	–	14,927
Amortisation of intangible assets	3,604	–	–	3,604

(d) Geographical information

The Group's operations are mainly located in the PRC. The following table provides an analysis of the Group's sales by geographical markets:

	Revenue from external customers	
	Year ended 30-6-2018	Year ended 30-6-2017
	HK$'000	*HK$'000*
PRC	**25,347**	26,359

The following is an analysis of the carrying amount of total assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		**Additions to property, plant and equipment**	
	30-6-2018	30-6-2017	**30-6-2018**	30-6-2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**170,346**	120,769	**439**	4,583
Hong Kong	**5,151**	13,294	**17**	827
	175,497	134,063	**456**	5,410

Revenue from major products and services

The Group's revenue from its products and services is as follows:

	Year ended 30-6-2018	Year ended 30-6-2017
	HK$'000	*HK$'000*
Lottery-related services	**21,874**	21,904
Internet plus solution services	**1,443**	–
Other services	**2,030**	4,455
	25,347	26,359

(e) Information about major customers

Revenue from customers for the year ended 30 June 2018 contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30-6-2018	Year ended 30-6-2017
	HK$'000	*HK$'000*
Customer A – Provision of lottery-related services	**15,129**	13,928
Customer B – Provision of lottery-related services	**4,430**	4,011
Customer C – Provision of lottery-related services	**N/A**	2,766

Note 1: The revenue from customer C for the year ended 30 June 2018 does not exceed 10% of the total revenue of the Group for the year.

5. REVENUE

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

Revenue represents income from the following services rendered by the Group, net of returns, discounts allowed or sales taxes:

	Year ended 30-6-2018	Year ended 30-6-2017
	HK$'000	*HK$'000*
Lottery-related services	**21,874**	21,904
Internet plus solution services	**1,443**	–
Other services	**2,030**	4,455
	25,347	26,359

6. OTHER INCOME AND GAINS

	Year ended 30-6-2018 ***HK$'000***	Year ended 30-6-2017 *HK$'000*
Interest income	**9**	54
Change in fair value of derivative financial liabilities *(Note 17)*	**1,821**	–
Write back of consideration payable for acquisition of subsidiaries	**2,560**	–
Exchange gains	**1,816**	–
Gain on disposal of subsidiaries	**6,564**	–
Gain on liquidation of subsidiaries	**9**	1,242
Recovery of trade receivables previously written off	**298**	–
Rental income	**504**	1,848
Others	**370**	810
	13,951	3,954

7. IMPAIRMENT LOSS ON ASSETS

	Year ended 30-6-2018 ***HK$'000***	Year ended 30-6-2017 *HK$'000*
Impairment loss on:		
– goodwill	**–**	36,542
– intangible assets	**–**	2,307
– interests in joint ventures	**–**	14,927
	–	53,776

8. FINANCE COSTS

	Year ended 30-6-2018 ***HK$'000***	Year ended 30-6-2017 *HK$'000*
Interest on:		
– bank overdrafts	**4**	–
– finance leases	**14**	16
– convertible bonds	**12,563**	13,300
	12,581	13,316

9. LOSS BEFORE TAX

	Year ended 30-6-2018 *HK$'000*	Year ended 30-6-2017 *HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
– Directors' fees, wages and salaries	**44,459**	44,137
– Retirement benefits scheme contributions	**4,330**	6,646
– Equity-settled share-based payment	**25**	987
Total staff costs	**48,814**	51,770
Cost of services	**2,999**	4,865
Auditors' remuneration	**763**	761
Depreciation of property, plant and equipment:		
– Owned assets	**4,729**	5,722
– Assets held under finance leases	**164**	137
Amortisation of intangible assets	**7,889**	3,604
Equity-settled share-based payment to other eligible participants	**–**	7,420
Loss on disposal of property, plant and equipment	**816**	863
Minimum lease payments under operating leases:		
– Land and buildings	**6,228**	7,638
– Office equipment	**65**	65
Provision for doubtful receivables on:		
– trade receivables *(Note 13)*	**–**	27,156
– other receivables *(Note 14)*	**8,436**	4,520
– deposits paid *(Note 14)*	**361**	11,451
Write-off of assets included in administrative and operating expenses:		
– property, plant and equipment	**1,907**	–
– trade receivables	**138**	–
– other receivables	**940**	–
– deposits paid	**1,139**	–
– amount due from a related company	**29**	1,671
– inventories	**683**	601
Exchange losses, net	**–**	2,068

10. INCOME TAX CREDIT

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

	Year ended 30-6-2018 *HK$'000*	Year ended 30-6-2017 *HK$'000*
Over provision in prior years		
– Hong Kong Profits Tax	–	20
– Other jurisdiction	–	595
	–	615
Deferred tax	**1,814**	2,220
Income tax credit for the year	**1,814**	2,835

Hong Kong Profits Tax has been provided at 16.5% (year ended 30-6-2017: 16.5%) to the assessable profit derived in Hong Kong. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2018, nor has any dividend been proposed since the end of the reporting date (Year ended 30-6-2017: Nil).

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

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

	Year ended 30-6-2018 ***HK$'000***	Year ended 30-6-2017 *HK$'000*
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	**(61,034)**	(175,027)

	Year ended 30-6-2018 ***'000***	Year ended 30-6-2017 *'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,290,855**	3,243,380

No diluted loss per share for both of the years presented is shown as the exercise of the outstanding convertible bonds and share options issued by the Company would result in anti-dilutive of the loss per share of the Company.

13. TRADE RECEIVABLES

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Trade receivables	**76,920**	82,195
Less: Provision for doubtful receivables	**(69,020)**	(66,833)
Trade receivables, net of provision	**7,900**	15,362

Payment terms of trade debts are mainly on credit. Invoices are normally payable within 30 to 180 days from invoice date. The following is an aged analysis of trade receivables at the end of the reporting period:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
0 to 30 days	**3,525**	4,919
31 to 60 days	**1,792**	1,314
61 to 180 days	**1,541**	5,993
181 to 365 days	**68**	339
Over one year	**69,994**	69,630
	76,920	82,195

The trade receivables with the carrying amount of HK$Nil (30-6-2017: HK$3,583,000) are neither past due nor impaired at the end of the reporting period.

The Group has policies for allowances of doubtful receivables which are based on the evaluation of collectability and age analysis of accounts and on the management's judgement including the credit worthiness, collaterals and the past collection history of each customer.

For the year ended 30 June 2018, the Group made an allowance of HK$Nil (Year ended 30-6-2017: HK$27,156,000) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date.

Movements in the provision for doubtful receivables are as follows:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**66,833**	40,003
Provision for doubtful receivables for the year	**–**	27,156
Eliminated on disposal of a subsidiary	**(248)**	–
Exchange realignment	**2,435**	(326)
Balance at the end of the year	**69,020**	66,833

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted. The trade receivables past due but not provided for were either settled after the end of the reporting period or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the Group's trade receivables are receivables with the aggregate carrying amount of HK$4,375,000 (30-6-2017: HK$11,779,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
0 to 30 days	**–**	1,335
31 to 60 days	**1,792**	1,314
61 to 180 days	**1,541**	5,994
181 to 365 days	**68**	340
Over one year	**974**	2,796
	4,375	11,779

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Other receivables	**23,902**	20,465
Less: Provision for doubtful receivables	**(17,265)**	(10,090)
Other receivables, net of provision	**6,637**	10,375
Deposits paid	**17,512**	18,352
Less: Provision for doubtful recovery	**(12,668)**	(12,290)
Deposits paid, net of provision	**4,844**	6,062
Prepayments	**2,118**	1,755
	13,599	18,192

Movements in provision for other receivables are as follows:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**10,090**	5,626
Provision for doubtful receivables for the year	**8,436**	4,520
Eliminated on disposal of subsidiaries	**(1,781)**	–
Exchange realignment	**520**	(56)
Balance at the end of the year	**17,265**	10,090

Included in other receivables, less provision, are the consideration receivable for disposal of subsidiaries and the amount due from a related company amounted to HK$2,500,000 (30-6-2017: HK$Nil) and HK$2,791,000 (30-6-2017: HK$1,762,000) respectively, which is unsecured, interest free and has no fixed repayment terms.

Movements in provision for deposits paid are as follows:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**12,290**	778
Provision for doubtful receivables for the year	**361**	11,451
Exchange realignment	**17**	61
Balance at the end of the year	**12,668**	12,290

15. TRADE PAYABLES

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:

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
0 to 30 days	–	921
181 to 365 days	–	50
Over 1 year	**250**	135
	250	1,106

16. ACCRUALS AND OTHER PAYABLES

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Consideration for acquisition of subsidiaries payable *(Notes a and b)*	**65,000**	2,080
Amount due to non-controlling interest *(Note c)*	**15,334**	–
Interest on convertible bonds payable	**6,832**	3,246
Sundry payables and accrued charges	**13,162**	10,693
	100,328	16,019

Notes:

(a) As at 30 June 2018, the consideration for acquisition of subsidiaries payable amounted to HK$65,000,000 was unsecured, interest free and due for settlement on or before 18 October 2018.

(b) The consideration payables as at 30 June 2017 amounted to HK$2,080,000 arose from the acquisition of subsidiaries which took place in the year ended 30 June 2015. Management of the Group is of the view that the consideration payable has been long overdue and the Group is unlikely to make settlement of the payables, accordingly the consideration payable together with the change in fair value amounted to HK$480,000 for the current year are written back during the year and included in other income and gains (Note 6).

(c) The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

17. CONVERTIBLE BONDS

	30-6-2018	30-6-2017
	HK$'000	*HK$'000*
Convertible bonds:		
– Liability component	**89,413**	89,301
– Derivative conversion option component	**260**	–
– Equity component	**–**	2,672
Classified under current liabilities:		
– Convertible bonds	**89,413**	89,301
– Derivative financial liabilities	**260**	–
Included in reserves	**–**	2,672

(a) 2% Coupon Bonds Due 2017 ("2% Bonds")

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 2% 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 2% 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.

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

(a)	Principal amount:	HK$89,625,000
(b)	Coupon rate:	2% per annum
(c)	Maturity date:	17 January 2017
(d)	Conversion price:	HK$2.39
(e)	Risk-free rate:	0.687%
(f)	Expected volatility:	70.45%
(g)	Expected dividend yield:	0%

(b) 8% Bonds July 2017

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.

The revised 2% Bonds (the "8% Bonds July 2017") contain liability and equity components. The effective interest rate of the liability component is 16.32% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the 8% Bonds July 2017 at the date of its amendments 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.

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

(a)	Principal amount:	HK$89,625,000
(b)	Coupon rate:	8% per annum
(c)	Maturity date:	17 July 2017
(d)	Conversion price:	HK$0.359
(e)	Risk-free rate:	0.771%
(f)	Expected volatility:	89.30%
(g)	Expected dividend yield:	0%

(c) 8% Bonds January 2018

On 17 July 2017, the Company obtained written consent from the bondholder, under which the maturity date of the 8% Bonds July 2017 was extended to 17 January 2018 with other terms and conditions remained unchanged.

The revised 8% Bonds July 2017 (the "8% Bonds January 2018") contain liability and equity components. The effective interest rate of the liability component is 16.32% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the 8% Bond January 2018 at the date of its amendments was valued by management based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

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

(a)	Principal amount:	HK$89,625,000
(b)	Coupon rate:	8% per annum
(c)	Maturity date:	17 January 2018
(d)	Conversion price:	HK$0.359
(e)	Risk-free rate:	0.771%
(f)	Expected volatility:	89.30%
(g)	Expected dividend yield:	0%

(d) 8% Bonds July 2018

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.

Following the change of the functional currency of the Company during the current year, as detailed in note 1, the revised 8% Bonds January 2018 (the "8% Bonds July 2018") contain liability and conversion option derivative components. The effective interest rate of the liability component is 13.37% per annum.

The fair value of the liability component and conversion option derivative component of the 8% Bonds July 2018 at the date of its amendments and at the end of the reporting period was valued by an independent valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan. Detail of principal valuation parameters have been applied in determining the liability component and conversion option derivative component was summarised as follows:

		At date of amendment	**At 30-6-2018**
(a)	Principal amount:	HK$89,625,000	HK$89,625,000
(b)	Coupon rate:	8% per annum	8% per annum
(c)	Maturity date:	17 July 2018	17 July 2018
(d)	Conversion price:	HK$0.359	HK$0.359
(e)	Risk-free rate:	0.812%	1.470%
(f)	Expected volatility:	94.04%	37.30%
(g)	Expected dividend yield:	0%	0%

Movements of the convertible bonds for the years is set out below:

	Liability component						
	2% Bonds	**8% Bonds July 2017**	**8% Bonds January 2018**	**8% Bonds July 2018**	**Total**	**Derivative component**	**Equity component**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016	83,434	–	–	–	83,434	–	24,184
Movements during the period from 1 July 2016 to 17 January 2017							
Imputed interest charge	7,178	–	–	–	7,178	–	–
Interest paid	(987)	–	–	–	(987)	–	–
Arose from amendment of terms of convertible bonds, net of tax effects	(89,625)	86,425	–	–	(3,200)	–	(21,512)
Movements during the period from 18 January 2017 to 30 June 2017							
Imputed interest charge	–	6,122	–	–	6,122	–	–
Interest payable or paid	–	(3,246)	–	–	(3,246)	–	–
At 30 June 2017 and 1 July 2017	–	89,301	–	–	89,301	–	2,672
Movements during the period from 1 July 2017 to 17 July 2017							
Imputed interest charge	–	662	–	–	662	–	–
Interest paid	–	(338)	–	–	(338)	–	–
Arose from amendment of terms of convertible bonds, net of tax effects	–	(89,625)	86,425	–	(3,200)	–	–
Movements during the period from 18 July 2017 to 17 January 2018							
Imputed interest charge	–	–	6,785	–	6,785	–	–
Interest payable included in accruals and other payables	–	–	(3,585)	–	(3,585)	–	–
Arose from second amendment of terms of convertible bonds, net of tax effects	–	–	(89,625)	87,544	(2,081)	2,081	(2,672)
Movements during the period from 18 January 2018 to 30 June 2018							
Imputed interest charge for the year	–	–	–	5,116	5,116	–	–
Interest payable included in accruals and other payables	–	–	–	(3,247)	(3,247)	–	–
Change in fair value of derivative financial liabilities *(Note 6)*	–	–	–	–	–	(1,821)	–
At 30 June 2018	–	–	–	89,413	89,413	260	–

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business Review

"Internet Plus" Business – Gaining Recognition and Strategy Formed

"Internet Plus" solutions of the Group provide efficient and convenient solutions for different industries. With premium user experience and conforming to requirements of customers, our "Internet Plus" solution enables the Group to win the recognition of tycoons of different industries, especially those of Internet. The Group has signed a legally binding strategic cooperation agreement with a controlled structured entity of Tencent Holdings Limited ("**Tencent**") (Stock Code: 700.HK), Tencent Cloud, through its subsidiary during the year under review. The strategic cooperation is to deepen the depth and breadth of cooperation and jointly develop the four major market segments nationwide, namely government affairs, public security, health care and lottery. Within the strategic cooperation agreement, Tencent Cloud and the Group mutually recognize each other as priority strategic partner on a nationwide basis in the above market segments, whilst jointly develop and support applications in mobile, cloud computing, big data, AI and other similar areas. The Board expects that both parties will cooperate closely to explore these huge potential markets in the coming years. Before the publication of the announcement, the Group signed the software development and project management service agreement for the livelihood policing projects of Public Security Bureau of Shenzhen Municipality ("**SZ Police**") with Tencent Cloud, followed by further signing the project development service agreement for Shenzhen Lease Platform with Tencent Cloud to advance in our strategic cooperation. Meanwhile, the Group's "Internet Plus" solutions have become the showcases in various conferences hosted by those leading Chinese Internet players, such as Tencent's mobile internet partners' conference in Shenzhen in December 2017 and Alibaba's Computing Conference in Hangzhou (also known as "雲栖大會") in October 2017.

In addition to the recognition by the Internet industry, relying on the strength of its "Internet Plus" solutions, the Group has been recognized by other leading enterprises in other industries and signed a legally binding strategic cooperation agreement (the "**GZCI Strategic Cooperation Agreement**") with Guangzhou City Construction Investments Group Smart City Technology Development Company Limited ("**GZCI Smart City**"). According to GZCI Strategic Cooperation Agreement, GZCI Smart City was authorizd by Guangzhou City Construction Investments Group Company Limited ("**GZCI**") as a technical support party to develop the GZCI Residential Lease Platform ("**GZCI Lease Platform**"), and the Group further signed the GZCI Lease Platform development agreement with GZCI Smart City after forming a strategic partnership with GZCI Smart City in terms of GZCI Residential Lease Platform ("**GZCI Lease Platform**") and in the smart city market segment.

“Internet Plus Lease” – Reforming Rental Market and Exploring Business Opportunities

The “Internet Plus” business of the Group has successfully expanded into a market highly valued by the PRC government in its work report of the 19th National Congress of CPC, i.e. the national residential lease market, which has exceeded RMB one trillion in terms of market size and is with great potential. The Group attaches great importance to the “Internet Plus Lease” segment, and takes more active measures to explore the wide potential of the market, including providing “Internet Plus Lease” solutions to Shenzhen and Guangzhou for applying to their respective local residential lease platforms.

In September 2018 and before the publication of the announcement, the Group officially signed the project development service agreement for Shenzhen Lease Platform with Tencent Cloud. Shenzhen Lease Platform is a project authorized by Tencent Cloud to develop supervisory platform and related services of Shenzhen Lease Platform by the Group, including Shenzhen Lease Platform which integrates the self-service system, operation and supervision system, third-party interface to the Shenzhen Lease Platform, housing data filter, operation and maintenance services for Shenzhen housing rental agencies. According to the project development service agreement, the income for the Group will be a share of 14.88%, referencing to the total revenue generated by Tencent Cloud from Shenzhen Lease Platform project, for which a supplemental agreement can be signed separately if needed. By finalizing the agreement, the Group will be expected to record income from “Internet Plus Lease” in the coming year. Along with further promotion of the lease business, it is expected that the solution will be able to bring in more substantial revenue to the Group. Based on the innovative application of cloud computing, big data and online payment, Shenzhen Lease Platform will target irritants of the residential lease market to defuse the ubiquitous chaos of the current offline residential lease market and provide more direct and more accurate convenience services by related government sectors through Shenzhen Lease Platform, thus greatly improving the rental experience. Now Shenzhen Lease Platform has been launched and put into operation. Users can access the platform by subscribing the Wechat Official Account of Shenzhen Smart Leasing (深圳智慧租房) or clicking on the renting button after setting the city service location in the WeChat wallet as Shenzhen.

In November 2017, the Group has successfully entered into an agreement with the Information Centre of Housing and Construction Bureau of Shenzhen Municipality (深圳市住房建設信息中心), an affiliate of the Housing and Construction Bureau of Shenzhen Municipality ("**HCBSZ**") for the development of a revolutionize content management platform in converging and managing all media content under the HCBSZ via WeChat. The solution being provided has now been launched, and the latest information is released in an efficient and timely manner using innovation method.

After entering into the GZCI Strategic Cooperation Agreement, GZCI Smart City has signed the development agreement for GZCI Lease Platform in January 2018. Pursuant to these agreements, with the "Internet Plus" solutions of the Group, the Group has been appointed as the technical service provider of GZCI Lease Platform to build a one-stop WeChat based residential leasing platform that can be connected with various types of services, in order to provide basic services on an online residential lease platform that contains public rental housing, institutional housing and private housing in Guangzhou. The GZCI Lease Platform project has been launched and is in operation.

Capability and business performance of "Internet Plus Leasing" have been recognized by leading players in other industries. In March 2018, the Group successfully signed a legally binding business cooperation agreement (the "**Business Cooperation Agreement**") with UnionPay Shenzhen in relation to nationwide authorisation to develop the leasing related businesses based on the "Mobile QuickPass" (雲閃付) platform built and operated by China UnionPay. This cooperation not only represented a breakthrough in business achieved by the Group and the further perfection of the Group's business chain, but also reveal that the Group's "Internet Plus" business is entering into mobile payment market, while it also set a great precedent for future collaboration with China UnionPay on a wider range of business scopes, allowing the Group to tap into China's mobile payment market with a humongous market size of over RMB100 trillion.

"Internet Plus Government Affairs" – From Traffic Police To Finance Department

During Year 2018, the "Internet Plus Government Affairs" of the Group has further expanded to fields covering finance from traffic police to provide a series of efficient, innovative and convenient online solutions for such fields and formulate a new standard of its kind among the industry.

The Group has successfully elevated the performance and function of the SZTP Star Users Service Platform (深圳交警星級用戶服務平台) (“**Star Users Platform**”), a solution provided for Shenzhen Traffic Police (“**SZTP**”), to a new standard. Through the solutions provided by the Group and the empowerment of Chinese leading Internet companies, the Star Users Platform is a convenient application to provide traffic police services to citizens on a 24-hour basis and forerun the solutions of its kind among the traffic police sector in the PRC. Currently, the Star Users Platform has been officially launched. As of May 2018, the registered users exceeded 3.5 million, covering over 80% Shenzhen dwellers with driving licenses, and the daily average number of transactions handled through Star Users Platform exceeds 40,000, which saved considerable time for the public.

During the year under review, the Group has successfully entered into an agreement with the Bureau of Finance of Longhua District, Shenzhen Municipality (“**BFLD**”) to provide the development and operation of new media based on the WeChat official account and website. The platforms for BFLD have been officially launched to provide a communication bridge linking the innovative government and citizens for the department and also enable the latest information of the government to be delivered to citizens in a timely and systematic manner.

“Internet Plus Public Security”

The Group had provided “Internet Plus” solution to the SZ Police for one of its livelihood policing projects after the year under review, which representing our first definitive cooperation with Tencent Could since the signing the strategic cooperation agreement between the Group and Tencent Cloud. The project is to develop a convergence media platform for the SZ Police with an access from the WeChat (微信) based platform, providing the function of collection and integration of information, content production, together with distribution and promotion through different channels. The convergence media platform also provides a matrix management system for information dissemination for SZ Police and all its affiliates units, as well as connecting the SZTP Star Users Services and related services into the People’s Livelihood Policing Services Platform of Shenzhen (深圳市公安民生警務平台). By applying mobile location based service (LBS) technology, our project solution enables the SZ Police to provide precision services and information to the general public and achieves its three major objectives of high efficiency, manageability and building up the media platform through new media channel, which in turns help the SZ Police to enhance the safety awareness of the general public and to maintain public security effectively. The solution has been launched and put into operation, which further facilitates the online business handling of the public, reduces documents and the number of times for the public to visit government sectors, and implements the PRC government’s intention to improve efficiency through “Internet Plus” technologies.

“Internet Plus Health”

For the year under review, in addition to the further cooperation with Sinopharm Traditional Chinese Medicine Co., Ltd. (國藥藥材股份有限公司) (the “**Sino-TCM**”), the Group also carried out business with another large pharmaceutical group in Hong Kong -Lung Fung Pharmaceutical (Group) Ltd (龍豐藥業（集團）有限公司) (the “**Lung Fung**”).

In November 2017, the Group cooperated with Sino-TCM, a subsidiary of China National Pharmaceutical Group (中國醫藥集團總公司) in establishing a joint venture – Sinopharm Health Cross Border E-Commerce Company Limited in Hong Kong, which will be engaged in e-commerce, import and export of health related products, supply chain and other related business. The Group will warrant the “Internet Plus” technologies and operation of the joint venture, including the online e-commerce platform based on the interactive marketing solution for Hong Kong and overseas markets.

In January 2018, Sinopharm Health Cross Border E-Commerce Company Limited signed a purchase contract with Lung Fung. It will further solidify the foundation of the Group’s “Internet Plus Health” business through integrating the wide range of product lines of health-related and cosmetic products, massive online-offline sales network and comprehensive sales experience from Lung Fung, with our online-offline sales technology.

“Internet Plus Education”

Meanwhile, the Group’s “Internet Plus” business has been initially preparing for the education industry. In January 2018, the Group has entered into an agreement to acquire Shenzhen TBSEO Info Tech Co. Ltd. (深圳滕寶盛信息科技有限公司) (the “**TBSEO**”), a company incorporated in Shenzhen with limited liability, with an aim to leverage on the experience and resources in education and training of TBSEO to speed up the development of the Group in such uprising “Internet Plus Education” market.

“Internet Plus Tourism” and “Internet Plus Lottery”

For the year under review, the guidance policies released by the PRC government to support the deepened reform and opening up of Hainan in an all-round way require the innovation of the mechanism promoting the development of international tourist consumption center and provide direction for the development of lottery related, sports tourism industries, the development of “Internet Plus” consumption ecosystem, and government related supervision system so as to promote tourism consumption. Hence, the Group entered into cooperation with Hainan Huan Yu Assets Investment Company Limited (海南桓裕實業投資有限公司), Icederby International Co., Ltd. and Tahiti Black Pearl Poe Raua Nui Limited, which are principally engaged in property development, organising of sports events and marketing, respectively, with an aim to expanding its capabilities in Hainan, and to forging a stronger foundation, in order to explore the development of lottery related, sports tourism industries, the development of "Internet Plus" consumption ecosystem, and government related supervision system so as to promote tourism consumption. Meanwhile, our development deeply drills into values from the discussion between the Group and the relevant government authorities in Hainan in early 2012 in relation to the development of large-scale cultural, sports and gaming projects (including interactive lottery related business and sports training and tourism facilities) and the opportunities brought by the cooperation between the Group and Hainan Sports Lottery Administration Centre since 2016.

Lottery Business

We have continually engaged in provision of lottery transaction system, lottery Point-of-Sale ("**POS**") terminals and other lottery solutions (the "**Lottery Business**") to Sports Lottery and Welfare Lottery Centres in the PRC. In Year 2018, the performance of the Lottery Business was still tough with the traditional lottery segment believed to reach certain market saturation. On the other hand, the overall regulatory atmosphere on internet lottery remains tight with resumption of lottery sales through online channels not happened during the year. The Group will proactively develop the Lottery Business through different channels and methods.

Outlook and Strategies

For the year under review, driven by the demand for "Internet Plus" by various industry, the government and users, our "Internet Plus" solutions have led the Group's business scope into more industries. While the Group exploring the market, our "Internet Plus" solutions have become the showcases of the industry for multiple times through which the Group has successfully established the strategic development and in-depth cooperation with tycoons from various industries such as Tencent Cloud, UnionPay Shenzhen and Sino-TCM. In the future, leveraging on the Group's rich resources and technological advantages and empowerment and resources of all partners, we will collaborate with leading companies and seize opportunities to quickly apply our "Internet Plus" solutions to markets across the country and create great value. Against the backdrop of such broad market prospects for "Internet Plus Lease" solutions and the continuous reform of the residential lease market, the Group is expected to rapidly promote its innovative"Internet Plus Lease" solutions to the whole country and to record income in coming year by leveraging its existing business resources in conjunction with Tencent Group's products and technologies to be the first to seize business opportunities. Moreover, the cooperation between the Group and Sino-TCM and the further development of the Group's setting in Hainan, if successfully materialise, will present an exponential prospect for the Group's development.

As the lottery industry itself is sensitive to the regulation, the lottery business continues to face challenges in its development, however, the Group is known as reliable and has been cooperating with the lottery institutions and actively kept seizing opportunities through new technologies to capture a favorable position.

Financial Review

Results

During the year ended 30 June 2018, the Group recorded revenue of HK$25 million, a decrease of 4% over revenue of HK$26 million for the same period in 2017, while gross profit for the period of HK$16 million represented a increase of 17% over gross profit of HK$13 million in the corresponding period in 2017. Revenue slightly decreased as the result of the performance of lottery business remains stagnant during the year under review. Increase in gross profit was due to the Company has taken various measures to tighten direct cost of services.

The Group recorded a loss attributable to equity holders of HK$61 million for the year under review, a decrease of 65% over the loss attributable to the equity holders for the same period in 2017 (2017: HK$175 million). The major reasons for the decreasing of the loss attributable to equity holders are mainly due to the effects of the Group has taken various measures to tighten cost controls and less provision for doubtful receivables and impairment losses on assets were made for the Year 2018 as compared with the Year 2017.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2018, the Group's bank balances and cash amounted to HK$5 million (2017: HK$14 million) which were mainly held in HK$ and RMB. Current assets amounted to HK$27 million (2017: HK$50 million), mainly comprising of trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK$232 million (2017: HK$123 million), mainly comprising of trade payables, accruals and other payables, amount due to directors and convertible bonds. As at 30 June 2018, the gearing ratio of the Group was 51% on the basis of the Group's total interest-bearing borrowings divided by total assets (2017: 67%).

Capital Structure

On 16 December 2014, Shareholders of the Company approved the ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company. Pursuant to which, with effect from 17 December 2014, each existing issued and unissued share of HK$0.050 each in the share capital of the Company was divided into four subdivided shares of HK$0.0125 each (the "**Share Subdivision**"). As a result of the Share Subdivision, adjustments to the share option scheme adopted on 31 January 2013 and to the convertible bonds issued on 17 January 2014 have been made respectively.

As at 30 June 2018, the total number of issued share capital of the Company was 3,290,855,068 Shares.

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 a rate of 2% per annual as general working capital and for repayment of borrowings (the "**Bonds**"). A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Bonds at the conversion price of HK$2.39 per share into full-paid ordinary shares of the Company. As a result of Share Subdivision, the number of Shares fallings to be issued upon full conversion of the Bonds was adjusted to 150,000,000 at the conversion price of HK$0.598 per Share.

On 18 January 2017, the Company entered 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 to 17 July 2017, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2018. Its conversion price was amended from HK$0.598 to HK$0.359 per conversion share, which can be converted into for the maximum number of 249,651,810 shares. The interest rates of the Convertible Bonds shall be increased to 8% per annum and paid semi-annually (the "**Amendments**"). Save for the adjustment, all other terms and conditions of the Bonds shall remain unchanged. The Amendments had been passed as an ordinary resolution by the shareholders at the extraordinary general meeting, the Company held on 29 March 2017. On 18 July 2017, 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.

On 18 January 2018, the Company entered a second amendment agreement with the bondholder to extend the maturity date of Convertible Bonds from 17 January 2018 to 17 July 2018, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2019. The Company has 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.

As at 30 June 2018, no conversions have been made for the Bonds issued by holders of the Bonds or redeemed by the Company.

Contingent Liabilities and Pledge of Assets

The Group had no contingent liabilities as at 30 June 2018 (30 June 2017: Nil).

No assets of the Group was pledged as securities to any third parties as at 30 June 2018 (30 June 2017: Nil).

Commitments

The Group had capital commitments at HK$11 million and operating commitments as lease of HK$2 million from operations as at 30 June 2018 (30 June 2017: capital commitments of HK$11 million and operating lease commitments of HK$8 million respectively).

Significant Investments, Material Acquisition and Disposal of Subsidiaries

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

Employees and Remuneration Policies

As at 30 June 2018, the Group had 27 and 91 (2017: 31 and 120) employees in Hong Kong and the PRC respectively, which including the Directors. Total staffs cost excluding Directors' remuneration for the year under review amounted approximately HK$36 million (2017: HK$40 million).

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 employees 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 HK$ or RMB. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB and HK$ 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 and HK$ exchange rate movement.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2018 (2017: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

CORPORATE GOVERNANCE

Corporate Governance Practice

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 of the GEM Listing Rules (the "CG Code") during the year ended 30 June 2018, except for the following deviations which are summarized below:

Code Provision A.4.1

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

Code Provision A.6.7

Two INEDs were unable to attend the extraordinary general meetings of the Company held on 14 August 2017 and 18 April 2018 respectively due to other business commitment.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with the 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 respect of the shares of the Company (the "Shares"). Having made specific enquiries, the Company has confirmed with all the Directors that they have complied with the required standards as set out in the Code of Conduct throughout the year ended 30 June 2018.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three INEDs, namely, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. Mr. TO was appointed as the chairperson of the Audit Committee. The major duties and functions of the Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system, and risk management and internal control systems of the Group; (iii) to oversee the relationship between the Company and the external auditors and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2018, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the re-appointment of auditors of the Company; and (iii) to review the audited annual results and unaudited quarterly and interim results.

The Group's audited consolidated results for the year ended 30 June 2018 has been reviewed by the Audit Committee of the Company.

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, 27 September 2018

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.cvg.com.hk.