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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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

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*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 (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM RESULTS 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

		(Unaudited) Three months ended 31 December		**(Unaudited) Six months ended 31 December**	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		(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)
Operating loss		**(4,004)**	(12,199)	**(15,329)**	(26,556)
Finance costs	*4*	**(2,856)**	(3,438)	**(5,671)**	(6,797)
Loss before tax	*5*	**(6,860)**	(15,637)	**(21,000)**	(33,353)
Income tax credit	*6*	**394**	271	**972**	528
Loss for the period		**(6,466)**	(15,366)	**(20,028)**	(32,825)
Loss for the period attributable to:					
Equity holders of the Company		**(6,119)**	(15,237)	**(18,906)**	(30,908)
Non-controlling interests		**(347)**	(129)	**(1,122)**	(1,917)
		(6,466)	(15,366)	**(20,028)**	(32,825)

	Notes	(Unaudited) Three months ended 31 December **2018** *HK$'000*	2017 *HK$'000* (Restated)	(Unaudited) Six months ended 31 December **2018** *HK$'000*	2017 *HK$'000* (Restated)
Other comprehensive loss for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of overseas operations		**(13)**	893	**(218)**	1,782
Total comprehensive loss for the period		**(6,479)**	(14,473)	**(20,246)**	(31,043)
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		**(6,129)**	(14,463)	**(19,001)**	(29,414)
Non-controlling interests		**(350)**	(10)	**(1,245)**	(1,629)
		(6,479)	(14,473)	**(20,246)**	(31,043)
Loss per share attributable to equity holders of the Company	*8*				
Basic		**(HK0.19 cents)**	(HK0.46 cents)	**(HK0.57 cents)**	(HK0.94 cents)
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	(Unaudited) 31 December 2018 HK$'000	(Audited) 30 June 2018 HK$'000
Non-current assets			
Property, plant and equipment		**2,613**	3,896
Goodwill		**124,284**	124,284
Intangible assets		**15,717**	20,631
Interests in joint ventures		**—**	—
		142,614	148,811
Current assets			
Inventories		**272**	468
Trade and other receivables and prepayments	*9*	**24,065**	21,499
Bank balances and cash		**4,763**	4,719
		29,100	26,686
Current liabilities			
Trade payables, accruals and other payables	*10*	**104,057**	100,578
Amount due to directors		**51,983**	39,781
Obligation under finance leases — current portion		**198**	194
Convertible bonds	*11*	**89,413**	89,413
Derivative financial liabilities	*11*	**260**	260
Deferred tax liabilities		**857**	—
Tax liabilities		**1,367**	1,423
		248,135	231,649
Net current liabilities		**(219,035)**	(204,963)
Total assets less current liabilities		**(76,421)**	(56,152)

	Notes	**(Unaudited) 31 December 2018 *HK$'000***	(Audited) 30 June 2018 *HK$'000*
Non-current liabilities			
Obligation under finance leases		**34**	150
Deferred tax liabilities		**2,053**	3,697
		2,087	3,847
Net liabilities		**(78,508)**	(59,999)
Capital and reserves			
Share capital		**41,135**	41,135
Reserves		**(117,791)**	(100,527)
Capital deficiency attributable to equity holders of the Company		**(76,656)**	(59,392)
Non-controlling interests		**(1,852)**	(607)
Total capital deficiency		**(78,508)**	(59,999)

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.

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 *HK$'000*	**Internet plus solution services** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**10,450**	**1,567**	**358**	**12,375**
Segment results	**(10,458)**	**236**	**(338)**	**(10,560)**
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)**
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortization	**661**	**28**	**80**	**769**

Six months ended 31 December 2017 (Unaudited)

	Lottery-related services (Restated) *HK$'000*	Internet plus solution services (Restated) *HK$'000*	Others (Restated) *HK$'000*	Total (Restated) *HK$'000*
Segment revenue:				
Sales to external 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 in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	325	424	—	749
Depreciation and amortization	3,297	22	122	3,441

(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 *HK$'000*	**Internet plus solution services** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**70,107**	**87,693**	**2,055**	**159,855**
Unallocated assets				**11,859**
Total assets				**171,714**
Liabilities				
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 *HK$'000*	Internet plus solution services *HK$'000*	Others *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

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:

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

4. FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interest on:		
— Convertible bonds	**5,666**	6,785
— Finance lease payment	**5**	12
	5,671	6,797

5. LOSS BEFORE TAX

	(Unaudited) Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
		(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) Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Under provision in the prior periods		
— 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.

7. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil)

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

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

Loss

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to the equity holders of the Company	**(6,119)**	(15,237)	**(18,906)**	(30,908)

Number of shares

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2018	2017	**2018**	2017
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,290,855**	3,290,855	**3,290,855**	3,290,855
Weighted average number of ordinary shares for the purposes of diluted loss per share	**3,290,855**	3,290,855	**3,290,855**	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).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited)	(Audited)
	31 December	30 June
	2018	2018
	HK$'000	*HK$'000*
Trade receivables	**76,254**	76,920
Other receivables and prepayments	**40,137**	43,532
	116,391	120,452
Less: Allowances for doubtful receivables	**(92,326)**	(98,953)
	24,065	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)	(Audited)
	31 December	30 June
	2018	2018
	HK$'000	*HK$'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
	76,254	76,920

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	(Unaudited) **31 December** **2018** ***HK$'000***	(Audited) 30 June 2018 *HK$'000*
Trade payables	**665**	250
Accruals and other payables	**103,392**	100,328
	104,057	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:

	(Unaudited) **31 December** **2018** ***HK$'000***	(Audited) 30 June 2018 *HK$'000*
0-30 days	**—**	—
31-120 days	**415**	—
121-180 days	**—**	—
181-365 days	**—**	—
Over 1 year	**250**	250
	665	250

11. CONVERTIBLE BONDS

	(Unaudited) 31 December 2018	(Audited) 30 June 2018
	HK$'000	*HK$'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

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%

12. 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.

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.

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.

"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.

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.

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.

FOREIGN EXCHANGE EXPOSURE

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

SHARE CAPITAL

As at 31 December 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)**").

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.

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

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.

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.

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.

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 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 publication and on the website of the Company at www.cvg.com.hk.