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CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

(Stock Code: 92)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Reference is made to the annual report of Champion Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 30 June 2017 (the “**Annual Report**”). Unless otherwise stated, terms used herein shall bear the same meaning as those defined in the Annual Report.

As disclosed in the Annual Report, the auditors of the Company (the “**Auditors**”) have issued a qualified opinion on the Group’s consolidated financial statements for the year ended 30 June 2017 since there were no sufficient appropriate audit evidence was received to assess (i) the impairment assessment on the available-for-sale investments (“**AFS Investments**”) and (ii) the impairment of inventories resulting from downgrading and reclassifications of cultural products by the management of the Group.

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to supplement the following information in relation to the above items that result in the qualified opinion from the Auditors.

(I) IMPAIRMENT ASSESSMENT ON THE AFS INVESTMENTS

Background

The Group had certain AFS Investments related to investments in unlisted equity securities issued by private entities incorporated outside Hong Kong (the “**AFS Investees**”) representing holding of strategic investments in the information technology and telecommunications industries. Consistent to prior years, they were measured at cost less any accumulated impairment losses at the end of the reporting period because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values could not be measured reliably.

As at 30 June 2017, the management of the Group determined that there existed objective evidence that an impairment loss had been incurred on the AFS Investments, after taking into account the significant decline in carrying amounts of net assets of the AFS Investees based on the unaudited financial information of the investees currently available to the management of the Group. Further, the Group did not receive any dividend income from the AFS Investees during the year ended 30 June 2017. In assessing the recoverability of the AFS Investments, the management of the Group tried to establish direct communications with the management of the AFS Investees to understand their latest developments and obtain further and updated financial information of the AFS Investees. However, as at date of the Annual Report, the management of the Group had not been able to obtain from the AFS Investees the necessary financial and other information nor been able to establish contacts with the management of the AFS Investees. Having considered the sudden loss of contact of the AFS Investees and the net liabilities as indicated in the unaudited management accounts made up to 30 June 2017, the management of the Group believed that the AFS Investments should be fully impaired. Accordingly, the Group recognized an additional impairment loss of HK\$418,296,000 for the year ended 30 June 2017.

Reason for the audit qualification

Given the limitation of scope of the work of Auditors as explained on page 77 to 78 of the Annual Report, the Auditors were not able to obtain sufficient appropriate audit evidence regarding the impairment assessment of the AFS Investments by the management of the Group.

View of audit committee

The audit committee of the Company (the “**Audit Committee**”) agreed with the audit qualification and confirmed that it had critically reviewed and agreed with the management’s position on the judgmental areas concerning the above impairment assessment.

Proposed plan to address the qualified opinion

The management had been continuing to make its efforts to establish contact with the AFS Investees, including engaging private investigators and foreign lawyers to try locating and contacting the AFS Investees. However, up to the date of this announcement, no favourable results have been achieved.

The Company has explored with the Auditors in relation to how the qualified opinion can be removed in the coming year, and noted that the current view of the Auditors is that the qualified opinion can be removed if there is no other alternative or further action that the Company could take and to determine the Company’s position regarding the AFS Investments.

The Company is now seeking legal advice on whether there is any alternative or further action that the Company could take and to determine the Company’s position regarding the AFS Investments.

(II) IMPAIRMENT OF INVENTORIES RESULTING FROM DOWNGRADING AND RECLASSIFICATIONS OF CULTURAL PRODUCTS BY THE MANAGEMENT OF THE GROUP

Background

Included in the Group's inventories as at 30 June 2017 were cultural products whose cost amounted to HK\$8,511,305,000. These cultural products were purchases made by the Group in the second half of the preceding financial year by the former management of the Group in the ordinary course of business for its principal activity of trading of cultural products. Consistent to the impairment review performed as at the end of the preceding financial year, cultural product and jewellery experts (the "**Current Experts**") were engaged by the management of the Group to perform an inspection, on a test basis, on the inventories of the cultural products. As a result of the inspection, the Current Experts advised the management of the Group that downgradings and reclassifications were required to be made on a number of the inventory items of cultural products. The findings of the Current Experts were inconsistent with the results of the grading and classification review carried out by the former management of the Group on the cultural products as at 30 June 2016 which had been confirmed by another team of cultural product and jewellery experts (the "**Former Experts**") who had performed an onsite inspection, on a test basis, on the inventories of cultural products as at 30 June 2016.

For the purpose of preparing the consolidated financial statements for the year ended 30 June 2017, the management of the Group had reassessed the current market values of the inventories as at 30 June 2017 based on the findings of the Current Experts concerning the grading and classification of the cultural products. As a result of the assessment, the management of the Group had determined that the net realisable values of a number of the inventory items of cultural products were lower than their costs and that the shortfalls amounted to an aggregate amount of HK\$4,275,921,000. Accordingly, the Group recognised an impairment loss of HK\$4,275,921,000 for the year ended 30 June 2017.

Reason for the audit qualification

Because of the inconsistencies in the written findings of the Former Experts and the Current Experts concerning the grading and classification of cultural products and the unavailability of sufficient appropriate audit evidence available to the Auditors as at the date of the Annual Report to ascertain the assessment of the net realisable values and the impairment of the cultural products made by the current management of the Group, the Auditors were unable to satisfy themselves that the impairment loss of HK\$4,275,921,000 recognised as an expense during the year ended 30 June 2017 and carrying amount of the cultural products of HK\$4,235,385,000 as at 30 June 2017 were free from material misstatements.

View of audit committee

The Audit Committee agreed with the audit qualification and confirmed that it had critically reviewed and agreed with the management's position on the judgmental areas concerning the above impairment assessment.

Proposed plan to address the qualified opinion

As mentioned in the Annual Report, as a result of the inconsistencies in the grading and classification of cultural products as at 30 June 2017 and 2016, the current management of the Group resolved to arrange another team of cultural product and jewellery experts to conduct a full inspection of the cultural products regarding their grading and classification. Subsequent to the issue of the Annual Report, the Company has arranged a team of professionals from "China Cultural Heritage Information and Consulting Center" to come to Hong Kong, being led by Ms. YANG Zhen Hua (楊震華) ("Ms. Yang"), who is a renowned expert in the field of jewelry and stones, to perform a detailed authentication on all of the cultural products of the Group.

The Auditors have confirmed their acceptance of Ms. Yang as an expert for authentication purpose and the current view of the Auditors is that the qualified opinion will be removed when a more reliable value of the cultural products can be ascertained after the completion of the authentication exercise by Ms. Yang and her team.

As at the date of this announcement, the authentication exercise by Ms. Yang and her team is in the process. Based on the authentication exercise conducted so far, further substantial impairment may be made by the management as further downgrading and reclassifications of some of the cultural products are required. It is expected that the authentication exercise will be completed by mid-February 2018. Further announcement(s) will be made by the Company when the authentication exercise is completed and based on which the amount of impairment is determined by the management and agreed by the Auditors.

The Company will publish further announcement(s) to update the Shareholders and potential investors of the status of the removal of the audit qualifications as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
CHAMPION TECHNOLOGY HOLDINGS LIMITED
Chan Wai
Company Secretary

Hong Kong, 5 February 2018

As at the date of this announcement, the executive directors of the Company are Ms. Wong Man Winny and Mr. Liu Ka Lim; the non-executive directors of the Company are Ms. To Yin Fong Cecilica and Mr. Chan Sung Wai; and the independent non-executive directors of the Company are Mr. Leung Man Fai and Mr. Chan Yik Hei.